

MATATIELE

LOCAL MUNICIPALITY - UMASIPALA WASE –
MUNISIPALITEIT – MASEPALA WA



ANNUAL REPORT
2008/2009





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GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY

Grade 5

AUDITORS

Auditor-General

BANKERS

First National Bank of South Africa, Matatiele

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MAYOR

CLLR NTAI SELLO

MUNICIPAL MANAGER

VACANT

GENERAL MANAGER: COMMUNITY SERVICES

VACANT

GENERAL MANAGER: ECONOMIC DEVELOPMENT AND PLANNING

MS. K.E. KABI – NOMBUNGU

GENERAL MANAGER: CORPORATE SERVICES

MR. Z.J. MKHIZE

GENERAL MANAGER: TECHNICAL SERVICES

MR. T. NGOZWANA

CHIEF FINANCIAL OFFICER

MR D C VAN ZYL:

Registered Municipal Accountant (Associate) AIMFO



CHAPTER ONE

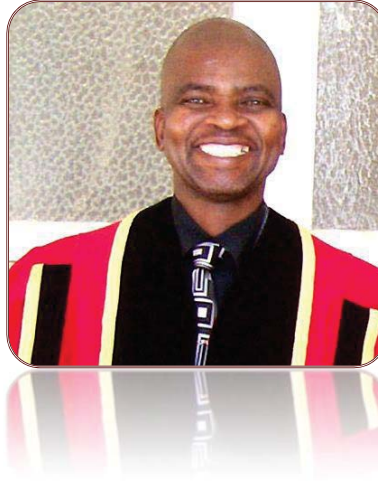
INTRODUCTION AND OVERVIEW

1.1. MAYORAL FOREWORD BY THE HONOURABLE MAYOR – CLLR NS SELLO

This annual report seeks to highlight the success and the challenges within the Matatiele Local Municipality for the year 2008/2009, in line with the priorities of Government to ensure clean audits by 2014. The Municipality will continuously assess and refine its performance to ensure that it leads the process.

One of challenges is to ensure Integrated Development Plan our monitoring and evaluation improvement. Service (SDBIP) needs to be improved critical posts within the

Another most critical of reviewal, adoption of thereof, with particular prevention policy. The issue of as often raised by Auditor challenge.



that our budget speaks to the (IDP). The planning ability and strategy still require Delivery Budget Implementation with the current filling of vacant Municipality.

challenge centres on the issue policies and the implementation reference to the fraud controls and asset management General (AG) remains a

On Governance, the Council, Executive Committee, and all other standing Committees need to be strengthened with the purpose of ensuring that an oversight function and the issue of compliance are attended to. It becomes a big challenge for the Municipality to coordinate all activities within its jurisdiction, when the intergovernmental relations are not strengthened. Intergovernmental framework need to be strengthened at local government level to address the issue of service delivery. IDP becomes a planning tool, and Community based plans (CBP) need to be taken seriously when considering IDP.

The issue of vulnerable groups within the society such as Youth, Women, Children and Elderly people represented through Special Programme Unit (SPU) need to be prioritised by all departments.

Our Vision and Mission captures the concept of Developmental Local Government and the Departments within the Municipality are structures in a manner that allows a potential for effective Coordination and implementation of all Municipal programmes, in line with the principle of Batho Pele. The concept of Customer Care and Strong Communication Systems is in the process of being developed.

I remain optimistic and convinced that your Municipality has got potential to grow and be in a position to deliver Services to our communities in line with our Vision, Mission and Government Priorities.

In conclusion I want to wish our team BAFANA BAFANA Good Luck in the FIFA Soccer World Cup. We believe that our communities will enjoy the games, and make use of the Public Viewing Area (PVA) that Matatiele Local Municipality has been awarded.

.....
CLLR NS SELLO



1.2. ACCOUNTING OFFICER'S REPORT
BY MR DC VAN ZYL – CHIEF FINANCIAL OFFICER AND ACTING MUNICIPAL MANAGER

The year ending 30th June 2009 was again a year of mixed fortunes for Matatiele Local Municipality. There are certain achievements that we can be proud of while there are certain goals that we did not reach.

Matatiele Local Municipality was classified a Medium Capacity municipality by National Treasury. It converted its new GRAP accounting prior to the required date. At 30 June 2009 it held investments in the amount of R 54.4 million and its assets amounted to R 146 million.

However, its outstanding consumer debtors of R 19.3 million are a cause of concern.



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One of the goals that were not achieved was the appointment of critical staff in vacant positions. This placed a burden on existing staff and resulted in various Council approved programmes not being implemented. The Strategic manager resigned at the end of March 2009, and the post was not filled again.

The spending of Municipal Infrastructure Grant (MIG) funds was satisfactory to the effect that 90% of these funds were spent by 30 June 2009. Those not spent was due to technical problems experienced by contractors. However, an allocation of R20 million per annum from MIG to service all villages and our people, is not adequate. Alternative financing sources will have to be obtained.

The Matatiele Local Municipality consists of 3 towns, 238 villages and about 350 commercial farms. Matatiele Local Municipality has a population of over 350 000 people. To provide services for all these people at their place of abode is a huge challenge with the limited resources at our disposal.

We are proud to be one of few municipalities in the Eastern Cape Province that received an unqualified audit report from the Auditor General for the year ending 30 June 2008. This was the result of hard work from the Budget and Finance department that ensured our reporting complies with the new accounting standards, as well as other departments that responded to the request to ensure that things are done right the first time. Various control and compliance issues were raised by the Auditor General which was addressed during the 2008/2009 financial year. The municipality implemented a project to ensure full compliance to all GRAP standards, and this exercise, coupled with the disruption caused by the failure of the accounting system, partly due to the relocation thereof, made it impossible to submit the Annual Financial Statements prior to the end of August 2009. The statements were submitted during September 2009 to the Office of the Auditor-General, but an Audit Report had not been received as at the end of January 2010.

I do believe that limited resources are being used productively. Huge backlogs exist in our rural areas which will never be eradicated using the normal financing mechanisms. All government departments will have to be lobbied to assist with the implementation of our programmes.



1.3. **OVERVIEW OF THE MUNICIPALITY**

Key features

The name Matatiele is said to be derived from the Basuto words “Matata” meaning “wild Ducks” and “ile” meaning “gone” which taken together convey the message that the ducks have flown. In days gone by the Matatiele area was known for its pools and marshes teeming with various kinds of waterfowl.

Incorporated as a municipality by a Proclamation, No. 107, dated 31 March 1904, it was transferred from the Province of the Cape of Good Hope to the Province of Natal with effect from 1 April 1978. Matatiele Local Municipality (EC441) was established on 1 March 2006. The Municipal area has undergone a number of amendments in terms of provincial municipal and ward demarcation which have had a profound impact on planning in the area. Prior to 1 March 2006 a municipality known as Matatiele Local Municipality (KZ5a3) comprised the towns of Matatiele and Cedarville and fell within the Sisonke District of Kwazulu Natal. From 1 March 2006, a new Matatiele Local Municipality was established which was incorporated into the Alfred Nzo District of the Eastern Cape. The newly established Matatiele Local Municipality includes the towns of Matatiele, Cedarville and the magisterial district of Maluti which formerly fell under the Umzimvubu Municipality and a rural district management area which formerly fell under the jurisdiction of the Alfred Nzo District Municipality.

Matatiele Local Municipality (EC441) is situated in the Alfred Nzo District in the North Eastern corner of the Eastern Cape Province. It is bordered by Elundini Local Municipality to the South West, Greater Kokstad Municipality to the East, Umzimvubu Municipality to the South, and Lesotho to the North. The Matatiele Local Municipality covers an area of 4352km² and constitutes 58% of the Alfred Nzo District.

Today this thriving municipality, nestling in the foothills of the mighty Drakensberg, whose grandeur dominates the northern and western horizons, is the busy centre of a thriving farming and trading community and also serves a large part of the neighbouring Eastern Cape region as well as southern Lesotho. Matatiele is surrounded by much scenic splendour, is blessed with an abundance of country sunshine and there is about the mountains, plains and valleys a peaceful spaciousness most appealing.

Newcomers will find Matatiele a hospitable town enjoying a healthy climate with adequate provision for most forms of sport. Visitors are always welcome to the various clubs which include badminton, bowls, cricket, golf, hockey, polo, rugby, shooting, squash and tennis. A modern public library, forming part of the attractive civic centre, is run by the municipality under the free provincial scheme. The handsome town hall can seat 450 persons, and the public swimming bath of Olympic Size B is open for a six-month season from October to March.

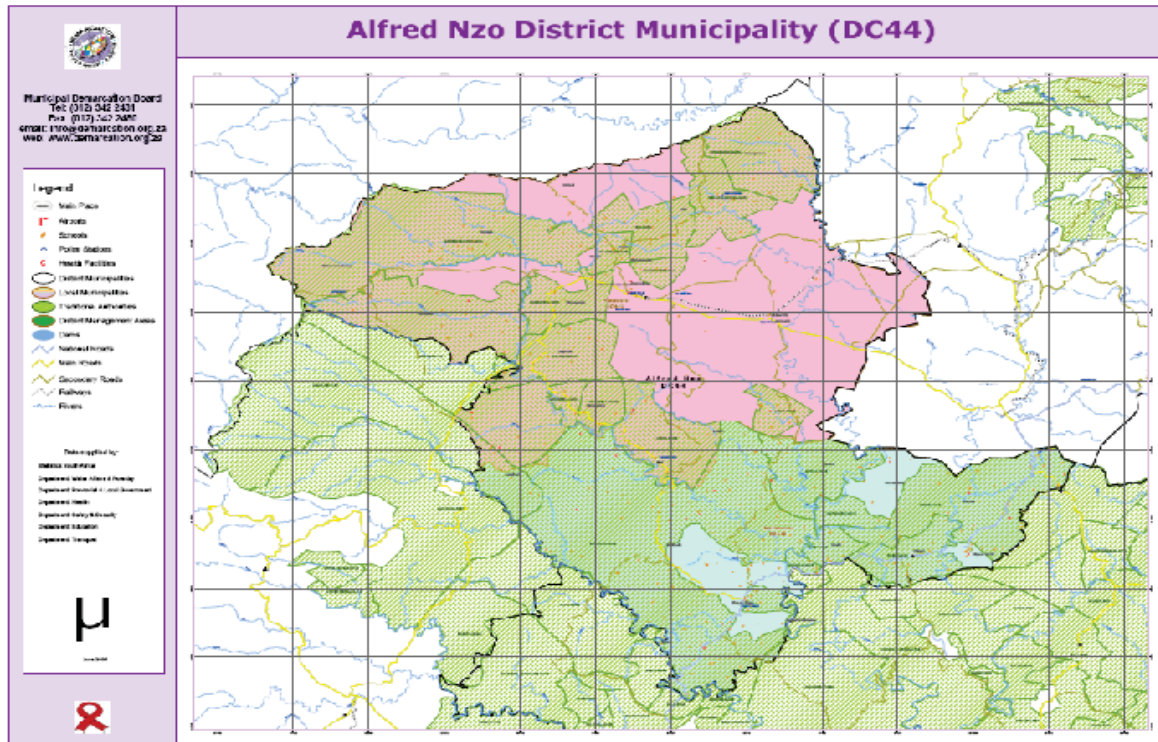
Two nature reserves were established on the Matatiele commonage by the municipality. The first is named Wilfried Bauer Nature Reserve and has an area of 218 ha. It is situated about 5km north of Matatiele and is a picturesque and popular picnic spot. Animals to be found there include blesbok, grey rheebok, oribi, springbok, blue wildebeest and zebra. The second is known as the Mountain Lake Nature Reserve and is situated at the southern end of the commonage near the FM transmitter at an altitude of some 2 000m. The main feature here is the splendid lake which, when full, has a surface area of about 30 ha, a depth of over 6m and rainbow trout fishing.

The licensed municipal airfield has an ideal natural setting and can accommodate most types of aircraft. A commercial charter service operates light aircraft from Matatiele.

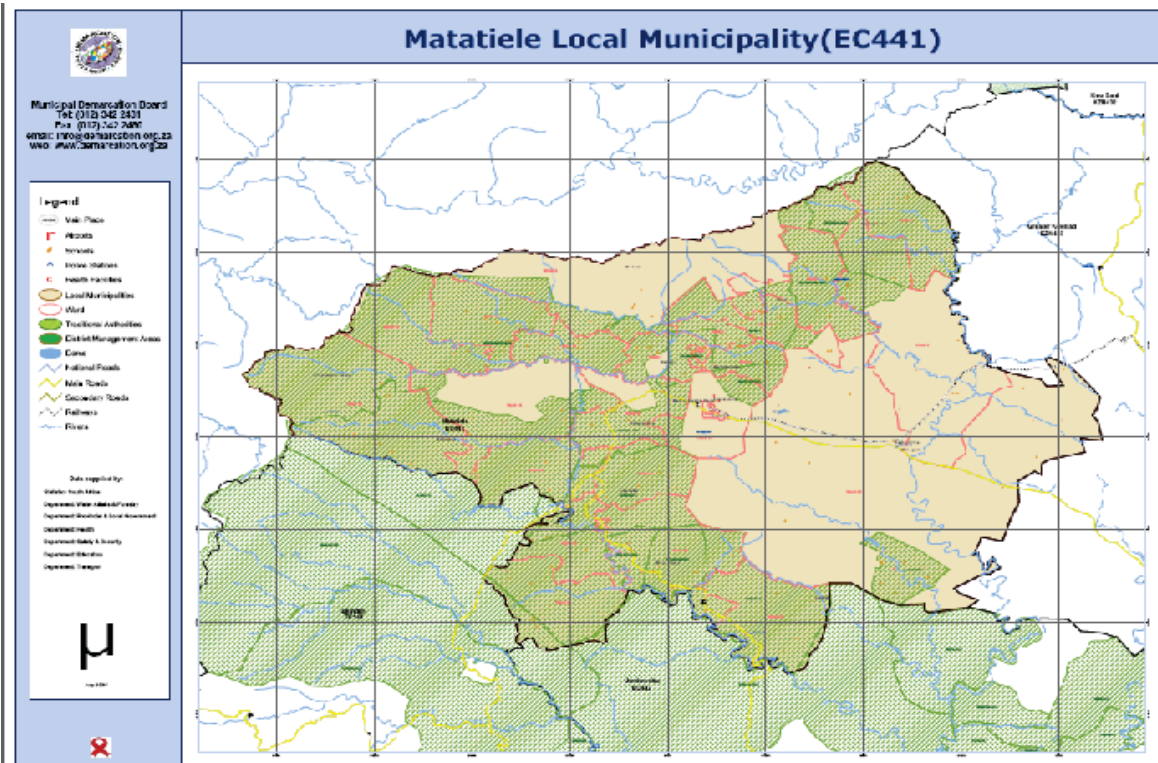
The Tayler Bequest hospital is well equipped and provides medical and surgical facilities to all. Known as Khotsoeng Santa Centre, there is a separate 250 bed TB hospital situated in Matatiele.



Geographical area/Maps



Alfred Nzo District Municipality Area



Matatiele Municipality Demographic Area



Demographic profile

The population of Matatiele is 258 758. The population density is generally low with an average population density of 69 people per Km². The population is predominantly female (54%) and predominantly African (98%). The population is predominantly young and under the age of 35 years, 42% are still dependent (1-14), 58% are potentially economically active (15-65) and 7% are elderly (65+). The high number of dependent children implies a higher burden on the economically active population and organs of state which are tasked with providing social assistance services.

Socio economic profile

- The area is characterised by poor socio economic conditions and low levels of development.
- Poverty levels are high with 82% of the population earning less than R800 per month and being technically under the poverty line. This is compounded by high levels of unemployment and a high number of potentially economically active people not being economically active (74%).
- Low income levels imply a high dependence on social grants and 80493 people or 31.3 % of the population are dependent on social grants. Old age pension and child support grants constitute the majority of grants.
- Agriculture is the dominant economic activity, yet formal employment is dominated by the community and public sector services and wholesale and retail trade. This is possibly due to the subsistence nature of agriculture in the area.
- The employment sector is dominated by elementary occupations and occupations requiring low qualification levels.
- The Municipal area is characterised by low education and literacy levels and 5.4 % of the population have no education while 39.7% have only some form of primary school education. There are approximately 235 schools in the Municipal area of which just over 10% are Senior Secondary Schools. There are no tertiary education facilities in the area.
- Health services are provided by the Department of Health who face many challenges. The Department has several programmes in place namely the Saving Mothers, Saving Babies Project and Integrated nutrition programmes. There is 1 District Hospital, 1 TB Hospital (Khotsong TB Hospital), 1 Community Health Centre, 17 Clinics and 2 Mobile clinics. Although the prevalence has stabilised, HIV/AIDS remains a challenge and the Department is concentrating on the management of antiretroviral treatment of infected people. There is also a high level of TB in the region which is commonly associated with HIV/AIDS and the Department is also focusing its attention on the management of TB.

Spatial profile

- The Municipal area is predominantly rural and dispersed with low density traditional settlements. There are estimated to be 67954 households in the Municipal area. There are three urban centres, the primary one being Matatiele. Maluti and Cedarville are secondary urban centres.
- According to the Community Survey 2007, 62% of the Matatiele population owns their homes, and 55% of the population resides in traditional dwellings.



1.4. **EXECUTIVE SUMMARY & MANAGEMENT PROFILE**

Vision

Matatiele Local Municipality has adopted the following vision:

“A unified municipality which is sustainable, result driven, service oriented and community centered”.

Mission

The mission of the Matatiele Local Municipality is to be:

“Committed to provide the Best Services that meet the needs of the community in an equitable and responsive manner in line with the Batho Pele Principles”

Objectives

The Municipality’s strategic objectives are:

- ⇒ *“To provide democratic and accountable government for our local communities*
- ⇒ *To ensure the provision of services to our communities in a sustainable manner*
- ⇒ *To promote Socio-Economic Development*
- ⇒ *To promote a Safe & Healthy Environment*
- ⇒ *To encourage the involvement of communities and community-organizations in the matters of our municipality”*





Municipal Financial & Administrative Conditions

The increased size of the municipality with the inclusion of a vast rural component has placed a considerable burden on the financial resources of the municipality, and it is therefore largely dependant on grant funding from the National and Provincial Governments for service delivery.

The implementation of the Municipal Property Rates Act will provide some enhancement to the revenue base of the municipality, but it will be negligible in relation to the large indigent component within the municipal area.

The municipality is currently in the process of finalising Organograms and Job descriptions to create the necessary administrative structure befitting the expansion of service delivery requirements.

Council Structures

The Matatiele Municipal Council has forty eight Councillors. Six councillors were declared full time, namely: the Mayor, the Speaker and the Chairpersons of the following Standing Committees, Budget & Finance, Corporate Services, Economic & Development Planning and Technical Services. The Municipality has a Collective Executive System, and the Executive Committee reports to the Council. The Executive Committee is comprised of eight Executive Committee Members and the Mayor, making up a total of nine members. The Executive Committee is chaired by the Mayor.

There are five standing committees that have been established in terms of Section 79 of the Local Government Municipal Structures Act, (Act 117 of 1998) to serve the following portfolios;

- ⇒ Budget & Finance;
- ⇒ Corporate Services;
- ⇒ Community Services;
- ⇒ Economic and Development Planning with a Tourism and Marketing subcommittee; and
- ⇒ Technical Services.

The mandate of the Standing Committees is to;

- ⇒ Develop and recommend strategy;
- ⇒ Develop and recommend by-laws;
- ⇒ Develop and recommend policies;
- ⇒ Ensure public participation in the development of policy, legislation, IDP and budget; and
- ⇒ Monitor the implementation of Councils policies.

The following Section 79 Committees have also been established;

- ⇒ Rules and Order Committee;
- ⇒ Special Programmes Unit Committee; and
- ⇒ Annual report oversight committee.

Matatiele Local Municipality has developed its website in-house. The site address is www.matatiele.co.za and the aspiration is to widen public participation and enhance legal compliance as prescribed by Section 21B (1) of the Municipal Systems Act.

**Ward Committees**

Ward committee members for all twenty four (24) wards were inaugurated on 16 October 2006 and is a competency of the Office of the Speaker. Each ward committee consists of ten (10) members. The lack of office accommodation and equipment is a challenge that is currently being addressed.

Members of the Council

Councillor/Alderman:

		SURNAME	NAMES	PARTY
1.	MAYOR	SELLO	NTAI, SAMUEL	ANC
2.	SPEAKER	MUNYU	JOSEPH, ZAMA	ANC
3.	EXCO CLLR	SELLO	SANDILE AUGUSTINUS	ANC
4.	EXCO CLLR	SIGALELANA	VUYANI, COLLIN	ANC
5.	EXCO CLLR	MDINGI	NOLUFEFE	ANC
6.	EXCO CLLR	MAKASHANE	MAJORIE, NONTOMBI	ANC
7.	EXCO CLLR	MOSO	PATIENCE, DOLLY	ANC
8.	EXCO CLLR	MAHEM	KOLEKA, LAETITIA	ANC
9.	EXCO CLLR	CANHAM	CEDRIC DANIEL CALLAWAY	ANC
10.	EXCO CLLR	LUGAYENI	DENTON	ANC
11.	ALF NZO REP	NOTSHELE	MARIA, MOLAENG	ANC
12.	ALF NZO REP	POPKHANE	MOSELE, MARIA	ANC
13.	ALF NZO REP	MFULANA	WILLIAM, BUNTUBUNZIMA	ANC
14.	ALF NZO REP	NYAMAKAZI	MOSES, MTHETHONZIMA	ANC
15.	ALF NZO REP	MTSHONISWA	LILLIAN, SEKIWA	ANC
16.	ALF NZO REP	MBUTO	PATRICK	ANC
17.	ALF NZO REP	MHLALA	VUYANI, VICTOR	ANC
18.	ALF NZO REP	MAOME	BENJAMIN, NDLALA	ANC
19.	COUNCILLOR	MCELELI	EDITH	ANC
20.	COUNCILLOR	GANYA	NOMBULELO, ALBERTINA	ANC
21.	COUNCILLOR	JAFTA	BERNARD	ANC
22.	COUNCILLOR	NOTSHELE	ROSEMARY, NOMTHETHO	ANC
23.	COUNCILLOR	TSOANYANE	YVONNE, NKELETSENG	ANC
24.	COUNCILLOR	MOKOATLE	MALEFU	ANC
25.	COUNCILLOR	TSHAKA	MADEDEMANE, ABEGAIL	ANC
26.	COUNCILLOR	GEBASHE	THOBANI, SAMSON	ANC
27.	COUNCILLOR	MACOBA	PRIMROSE, NOMONDE	ANC
28.	COUNCILLOR	NTSOLO	CUTBERT, PADI	ANC
29.	COUNCILLOR	LUPHALULE	KHAMBULAKAZI, EDITH	ANC
30.	COUNCILLOR	STUURMAN	PARTRICK, MOTLALEPULA	ANC
31.	COUNCILLOR	SIPIKA	CYPRIAN, XOLILE	ANC
32.	COUNCILLOR	MZIMKULU	BRITANIA, LIZWI	ANC
33.	COUNCILLOR	NONKEVU	RICHARD, VUSUMZI	ANC
34.	COUNCILLOR	GCABO	MSA	ANC
35.	COUNCILLOR	NGOMA	NTLAMENG, STELLA	ANC
36.	COUNCILLOR	BEJA	NOMHLE, ELIZABETH	ANC
37.	COUNCILLOR	TSOLOANE	MARAGRET, MASECHABA	ANC
38.	COUNCILLOR	NDIWA	ANGELINA, NOMPUCUKO	ANC
39.	COUNCILLOR	NKOPANE	NTOMBOVUYO, SILBEROSE	ANC
40.	COUNCILLOR	BOOI	SYLVIA, NONKULULEKO	ANC
41.	COUNCILLOR	MAKHOLWA	KENNETH, BONGANI	AIC
42.	COUNCILLOR	SAMBANE	CYNTHIA, NOKWANDA	ANC
43.	COUNCILLOR	BIGGS	KENNETH, CHARLES	DA
44.	COUNCILLOR	BONO	PATRICK, ZOLILE	ANC
45.	COUNCILLOR	MADUNA	JOYCE, DIMAKATSO	ANC
46.	COUNCILLOR	MUIR	PETER, GEORGE	DA
47.	COUNCILLOR	MAARTENS	MARINUS	DA
48.	COUNCILLOR	STUURMAN	LEBOHANG, EZEKIEL	UDM



CHAPTER 2

PERFORMANCE HIGHLIGHTS

The municipality faced huge challenges due to the enlargement of the area of jurisdiction, and had to spend enormous effort and resources to align the institution and all strategic plans to the increased demands for service delivery. The Council appointed a Municipal Manager and five Strategic Managers for the various functions, and embarked on a mission to formulate the correct organisational infrastructure to ensure improved service delivery.

The municipality managed to continue the supply of services within the urban areas, which included Electricity, Refuse removal, Roads, Stormwater management and Cleansing. The addition of Houses for the Indigent was also prioritised, with one scheme completed during the year, and another commenced with.

2.1. FUNCTIONS PERFORMED

Detailed reports regarding service delivery by each functional department is included in Chapter 5 of the report. Backlogs in service delivery is depicted in this Chapter, including Water and Sanitation which is no longer a function of the municipality, and Electricity, which is a service supplied by Escom for all rural areas.

2.2. SERVICE DELIVERY

Service delivery by Matatiele Local Municipality can be summarized as follows:

Roads & Stormwater	Public Amenities (Halls & Sporting facilities)
Solid Waste (Removal & Management)	Traffic Policing
Electricity Distribution (Matatiele town only)	Environmental Control (Nature Reserve & Cemeteries)
Town Planning	Human Resources Management
Local Economic Development	Financial Management
Marketing & Investments Promotion	Special Programs for designated groups

Services are divided into two groups; namely *infrastructural services*, and *community services and facilities*. Services and facilities fall within the functional area of a number of different entities, but all impact on the lives of the community and are hence mentioned here.





2.2.1. INFRASTRUCTURE

Water and Sanitation

The Alfred Nzo District Municipality is the Water Services Authority (WSA) for the Matatiele Local Municipality area of jurisdiction. The District Municipality has developed a WSDP that covers the 2008/2009 to 2012/2013 financial year which is updated annually.

Roads and Stormwater

The provision and maintenance of roads covers the functional areas of the Department of Roads and Transport, the District Municipality and the Matatiele Local Municipality

The Department of Roads and Transport establishes and maintains National and Provincial roads. It also contributes to economic upliftment of the area through EPWP Programmes.

The Department has allocated R 8, 00 million for roads in Matatiele on its 2009/10 budget. During the 2008/09 financial year it also provided funding for a number of EPWP Programmes which provided work opportunities for 892 people of Matatiele.

The District Municipality is responsible for the maintenance of about 130 Km of rural access roads throughout the District. The maintenance of other access roads is performed by Matatiele Local Municipality who are responsible for maintaining roads within the Municipal area and ensuring that storm water is effectively managed

The Municipality does not have a roads infrastructure, storm water or pavement management system and maintenance is carried out as and when required.

Electricity and Energy

ESCOM is the licensed distributor of electricity in the majority of the municipal area with the exception of the town of Matatiele where Matatiele Local Municipality is the licensed distributor. The electrification of housing by Matatiele Local Municipality is ongoing, but not at the desired pace, primarily because national demand for electricity has outstripped the available supply which is having a negative impact on meeting the set targets.

Consequently the Statistics South Africa Community Survey 2007 indicates that the community is heavily dependent on alternative energy sources with 62% of the community relying on an alternate source for lighting, 86% for heating and 75% for cooking.

NODE	PHYSICAL INFRASTRUCTURE									
	Roads		Water		Sanitation		Telephone		Electricity	
	Access	Quality	Access	Quality	Access	Quality	Access	Quality	Access	Quality
Matatiele	Full	Good	Full	Good	Full	Fair	Partial	Fair	Full	Fair
Maluti	Full	Poor	Partial	Poor	Partial	Poor	Partial	Fair	Full	Fair
Cedarville	Fully	Fair	Full	Good	Partial	Fair	Partial	Fair	Full	Fair
Rural Areas	Partial	Poor	Partial	Poor	None	N/A	Partial	Poor	Partial	Fair



2.2.2. COMMUNITY SERVICES

Solid Waste Management

The Matatiele Local Municipality is responsible for waste management in their area of jurisdiction. The Municipality collects household refuse from all three urban areas on a weekly basis, but provides no rural service.

A newly developed and licensed waste disposal site came into operation in Matatiele in 2008. This site has the capacity to accommodate all the waste from the urban areas for at least the next 15 years. There is also an unlicensed site in Cedarville which is not designed or operated according to DWAF's minimum requirements. Operation of the new site has been contracted out and the contract makes provision for the closure of old landfill sites. The Matatiele Local Municipality is also in process of introducing an integrated waste management system that includes a recycling component that will contribute to local economic development and cleaning of the environment.

Environmental Health Services

Environmental health services are a district function. Alfred Nzo District Municipality is therefore responsible for water quality monitoring; food control; waste management monitoring; health surveillance of premises; surveillance and prevention of communicable disease, excluding immunizations; vector control; environmental pollution control; disposal of the dead; chemical safety but excludes port health, malaria control and the control of substances.

Disaster Management

The District Municipality is responsible for the provision of Disaster Management and Fire Services in the District. The Municipality has a Disaster Management plan in place to effectively manage disasters which stem primarily from natural causes (tornadoes, storms and winds etc). Services are rendered from the central disaster management centre in Mount Ayliff and a satellite centre in Maluti which serves the Matatiele Local Municipality.

Health

The Eastern Cape Department of Health is responsible for the provision of health services in the Municipal area. Health services incorporate awareness, prevention, curative and rehabilitative services.

HIV & Aids

Although the primary health care facilities offer HIV/AIDS testing and counselling services, there is a shortage of ARV treatment sites with Mount Ayliff Hospital being the closest. The Municipality has established a Local AIDS Council

Telecommunications

According to the Statistics South Africa Community Survey 2007, only 30.1% of the population has a telephone or cellular phone, the latter being the most popular. The majority of the area has poor or no network coverage. Mountainous areas are particularly problematic. This lack of network was identified by the Department of Health as being a critical challenge which hampers the effective functioning off their clinics.



Public Transport

Despite some investments in new roads and maintenance there remain local communities who are isolated and disconnected due to poor road infrastructure. This has significant consequences in terms of local economic development as well as service delivery, especially accessibility to emergency ambulance services.

During the 2008/09 financial year, the Department of Roads and Transport did initiate some rural transport initiatives including

- ⇒ The Shova Kalula bicycle project which benefited a number of schools in the District
- ⇒ The AB 350 which established 16 busses on various routes in Matatiele
- ⇒ Scholar transport was operated by a number of schools in the Municipal area.

Airstrips

Despite funding earmarked for this purpose, the Airstrip at Matatiele was not upgraded as intended by the Department of Roads and Transport during the 2008/09 financial year, due to a problem around land usage.

Sport and Recreation Facilities

There are 3 formal sport stadiums with limited facilities in the urban areas which are in use by the community. All facilities are maintained as and when required, but require upgrading.

Sports Facilities

FACILITY	WARD	VILLAGE
Sigoga Sports Field	17	
Itsokolele Sports Field/Stadium	20	
North End Sports Field/Stadium	19	
Cedarville Sports Field/Stadium	21	
Maluti Sports Field (College)	1	
Matatiele Municipal Swimming Pool	19	



The municipal Soccer and Netball teams took part in a tournament with the eThekweni Municipality in Durban



North and South Stadiums





Community Halls

There are numerous Community halls and facilities within the Municipal area that are availed for use by the community. The condition of the majority of these facilities is fair.

The table below gives a reflection on the locations of the community facilities in each ward.

FACILITY	WARD
Lagrange Community Hall	8
Nchodu Community Hall	3
Mvenyane Community Hall (Rural)	21
Mzingisi Community Hall (Urban)	21
Khauwe Community Hall	11
Pontseng Community Hall	11
Cedarville Town Hall	21
Lunda Community Hall	10
Matatiele Town Hall	19
Mangolong Community Facility	23
Mapfontein Community Facility	11
Hillside Community Facility	22
Laphumilanga Community Facility	17
Nkau Community Facility	12
Dalibhunga Community Facility	21
Mgubo Pre-school	17
Lugada Pre-school	15
Belhesda Pre-school	23
Ditichereng Pre-school	14
Zwelitsha Pre-school	10
Mafube Pre-school	8
Sehlabeng Pre-school	9
Gudlintaba Pre-school	4
Lubaleko Pre-school	5
Mpontshongweni Pre-school	9
Sijoka Pre-school	16
Dengwana Pre-school	10
Dikamoreng Pre-school	13
Mapoliseni Pre-school	14
Kutwana Pre-school	6
Jabavu Pre-school	6
Mablawni Pre-school	7
Maluti Bus Rank and Public Toilets	1
Madimong Community Hall	2
Nokwezi Community Hall	20
Khubetsoana Community Hall	14
Koetliso Pre School	2
Outspan Pre School	6
Ntlola Pre School	3
Mnyamaneni Community Hall	6
Mbizeni Pre School	18
Prospect Pre School	17
Queens Mercy Pre School	12
Masakala Community Hall	20



Dengwane Multi-Purpose Centre





The Harry Gwala Hall



The Cedarville Hall



Libraries

Matatiele Municipality has three libraries; one each in Matatiele, Maluti and Cedarville. The library in Maluti is an institutional library and is owned by the Department of Education. The libraries in Matatiele and Cedarville are public libraries which are managed by the Municipality in terms of a service level agreement with the Province. There is no library service in rural areas.



Cemeteries

Municipal cemeteries satisfy the existing service demand.





2.2.3. SERVICES AUTHORISED

Functions of Matatiele Local Municipality

The MEC for Local Government adjusted the functions and powers between Alfred Nzo district municipality and Matatiele local municipality as published in the Provincial Gazette No. 1890 on 9 May 2008, to the extent reflected hereunder.

Function	Alfred Nzo DM	Matatiele LM
Air pollution		X
Building regulations		X
Child Care facilities		X
Electricity reticulation		X
Fire Fighting	X	X
Local Tourism	X	X
Municipal airports		X
Municipal Planning	X	X
Municipal Health Services	X	
Municipal Public Transport		X
Pontoons and Ferries		
Storm water		X
Trading regulations		X
Water (potable)	X	
Sanitation	X	
Schedule 5 part b		
Beaches and amusement facilities		X
Billboards and the display of adverts in public places		X
Cemeteries, Crematoria and funeral parlours		X
Cleansing		X
Control of public nuisances		X
Control of undertakings that sell liquor to the public		X
Facilities for the accommodation, care and burial of animals		X
Fencing and fences		X
Licensing of dogs		X
Licensing and control of undertakings that sell food to the public		X
Local amenities		X
Local sport facilities		X
Markets		X
Municipal abattoirs		X
Municipal parks and recreation		X
Municipal roads		X
Noise pollution		X
Pounds		X
Public places		X
Refuse removal, refuse dumps and solid waste disposal		X
Street trading		X
Street lighting		X
Traffic and parking		X



2.3 PROJECTS

Summary of Projects

Several projects were embarked upon during the year, and were financed from Equitable share, Municipal Infrastructure Grant and Housing funds.

Housing Development

There were two urban housing projects in the Matatiele Local Municipality over the past financial year.

- ⇒ The Itsokolele extension project was completed and closed in the 2008 financial year, and electrification was completed at a cost of R4,15 million during 2009.
- ⇒ The Harry Gwala project is in the process of completion and constitutes 583 housing units at various stages of completion. An amount of R11,8 million was spent during the year. This project will roll over into the 2009-10 financial year.

Three rural projects of 300 houses each are planned for the Matatiele rural areas in the 2009-10 financial year.



Harry Gwala Park

Community Facilities

Several community facilities were completed during the year, which includes 7 Pre-schools and 2 Community halls, at a cost of R422,768. A further R 11,7 Million was spent on new community facilities, which includes R3 Million on the Maluti Civic Centre, with an expected cost of over R11 million.

Roads and Bridges

Three access road projects were completed during the year, at a cost of R 1,4 million. There were 16 other roads projects embarked upon, including two Access Bridges, and a further R 18,8 million was spent on progress.

Environmental and Recreational

The swimming pool in Matatiele was upgraded for use by the community, and the Entrance to the Mountain Lake Resort was upgraded. Fencing of the latter facility is continuing.

Licensing facility

Additional space was created for the issue of licenses to the community by the addition of Parkhomes to the existing offices.



Community Programmes

Several community based programmes are under way as part of a broader upliftment process, which includes an ex offender reintegration project and a foster care project.

Plant and Equipment

The municipality upgraded the aged fleet of vehicles, at a cost of R3,8 million, to ensure attendance to service delivery, and also added *Fire fighting equipment for the combat of veldfires*. (*) The cooperation of the agricultural sector was also co-opted in the latter service.

(*)





Summary of Service Delivery Projects (table)

SUMMARY OF SERVICE DELIVERY PROJECTS DURING 2008/2009				
Department	Description	Estimate	Expenditure	Total
		R	R	R
Electricity	Electrification of Itsokolele	8,333,382	4,157,786	4,157,786
Environmental services	Entrance Building In Nature Reserve	50,000	44,092	44,092
Plant Hire (all departments)	Vehicles	4,500,000	3,871,342	3,871,342
Community Halls Completed	Khoubetswana Community Hall	529,062	57,670	422,768
	Koetliso Pre-School	650,000	66,560	
	Mbizeni Pre-School	650,000	22,395	
	Mnyamaneni Community Hall	920,000	24,986	
	Nkosana Pre-School	441,750	110,784	
	Ntlole Pre-School	650,000	42,731	
	Outspan Pre-School	650,000	49,829	
	Prospect Pre-School	0	26,978	
	Queensmercy Pre-School	650,000	20,835	
Community Facilities Work in Progress	Dalibhunga Community Facility	1,289,243	1,100,074	11,713,963
	Dengwane Multi Purpose Centre	2,100,715	1,355,257	
	Hillside Community Facility	1,373,045	1,144,957	
	Laphumilanga Community Hall	1,396,480	1,193,990	
	Maluti Civic Centre	11,757,115	3,095,254	
	Mangolong Community Hall	1,427,450	1,038,368	
	Mapfontein Community Hall	1,559,275	1,333,239	
	Nkau Community Hall	1,368,717	1,170,336	
	Rolweni Community Facility	0	282,488	
Work in progress	Housing Harry Gwala Park	18,347,375	11,817,154	11,817,154
Protection Services	Park homes Prot.services	280,000	114,610	114,610
Roads & Stormwater	Letlapeng Access Road	2,700,000	300,000	1,405,217
	Mpotshongweni Access Road	1,461,713	399,981	
	Sithiyweni Access Road	3,750,000	705,236	
Public Safety	Fire fighting equipment	0	154,020	154,020
Roads Work in Progress	Bhubesi Access Road	2,073,247	1,785,232	18,841,062
	Chibini Access Road	66,364	100,803	
	Fubane Access Road	0	64,369	
	Hillside To Manzini Access Bridge	3,159,290	2,559,924	
	Khoala Access Road	1,453,394	1,221,609	
	Mafube To Nkosana Access Bridge	2,499,796	1,510,866	
	Maluti Roads-Phase 1	0	324,781	
	Mgubho Access Road	1,495,214	669,713	
	Ngcwengana Access Road	2,752,864	2,327,128	
	Outspan To Matshabeleng Access Road	460,199	223,586	
	Ramafole Access Road	0	202,753	
	T15 To Mbizweni Jss Access Road	30,000	346,981	
	T69 To Mampoti Access Road	4,303,328	3,900,546	
	T77 To Mapuleng Access Road	1,737,967	1,487,575	
	Tsenolo-Nkonoane Access Road	1,315,114	1,013,541	
	Tsitsong Access Road	1,300,808	1,101,655	
	Swimming Pool Upgrade	0	422,584	
		89,482,907	52,964,598	
				52,964,598



2.4 **BACKLOGS IN SERVICE DELIVERY**

Matatiele Local Municipality is facing huge challenges in trying to deliver services to its community. It is a rural municipality that consists of three (3) formal proclaimed towns, two hundred and thirty eight (238) villages and three hundred and fifty six (356) farms. Infrastructure in the villages are non-existent and access roads to the villages are generally poor. Services required by citizens as per the Community Based Planning workshops were quantified at R5,5 Billion. This includes mainly access road, water, sanitation and electricity. No revenue is generated in the rural villages and as such, services are funded by MIG. The MIG allocation for 2009/2010 is R22m, which will have minimal impact on backlogs. The disparity between funds required to eradicate backlogs and funds available requires careful prioritization of projects and innovative gearing of financial instruments.

3.1.1. **Water**

- The Alfred Nzo District Municipality is the Water Services Authority (WSA) for the entire area and has a WSDP in place.
- Water borne sanitation is only provided in urban areas. VIP sanitation is provided in rural areas. The bucket system has been eradicated but there remains a backlog in terms of RDP standard sanitation. The Backlog in RDP standard sanitation is estimated to be 15%.
- Although substantial progress has been made in addressing backlogs in terms of RDP standard water, there are still many rural communities dependent on undeveloped water sources. The backlog in RDP standard water is estimated to be 36%.

A recent survey by the District Municipality aimed to establish RDP standard water and sanitation backlogs and the following table provides an indication of existing backlogs together with the estimated costs of achieving the desired standard.

Description	Water Supply	Sanitation
Total number of households	67, 954	
Households served to RDP standard	24485	10292
Households to be served	43469	57662
Backlog (RDP standard)	63.9 %	84.8%
Cost per Household	R 6, 000	R3, 500
Total Capital required	R260 814 000	R201 817 000

Table: Water and Sanitation backlogs

2.4.2 **Roads**

- The provision and maintenance of roads covers the functional areas of the Department of Roads and Transport, the District Municipality and the Local Municipalities. The process of maintaining and upgrading roads is hampered by a lack of clarity on responsibilities between various role players.
- The primary access road is the R56 from Kokstad to Maclear which is in poor condition. The general condition of other roads within Matatiele is fair.

2.4.3 **Electricity**

- ESCOM is the licensed distributor of electricity in the majority of the municipal area except for Matatiele town. There are substantial backlogs and the ESCOM bulk infrastructure requires urgent upgrading to meet the demand.



2.4.4 Telecommunication

- Access to telecommunication services is poor with only 30% of the Matatiele population having access to telephones. The majority of the area has poor or no network coverage. This also hampers service delivery such as health services.

2.4.5 Refuse Removal

- Refuse removal services are limited to urban areas and 82% of households make use of their own refuse dumps. There is one licensed landfill site in the Municipal area. More detail of the landfill site operations is included in Chapter 5.



Technical and Other 'behind-the-scenes' Service Delivery



CHAPTER 3

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

3.1. NUMBER OF STAFF PER FUNCTION

The organisational structure has 328 positions of which 148 are vacant including 5 on senior management level (Levels 1-3). There are 55 critical positions which need to be filled. The position of Municipal Manager recently became vacant and was filled with an acting incumbent until November 2009.

The Municipality is short staffed due to a lack of funding and also faces challenges in recruiting and retaining staff due to its location, and the level of salaries it can afford.

3.2. ORGANISATIONAL STRUCTURE

The organizational structure of the municipality is indicated on the figure below



Summarised detail, per department, is indicated in the table below:-

Functional Area	Post Levels	Total Posts	Filled Posts	Vacant Posts	Frozen Posts
Corporate Services	Manager	1	1	0	0
	Seniors	7	1	4	2
	Juniors	51	33	18	0
Finance Services	Manager	1	1	0	0
	Seniors	4	0	3	1
	Juniors	34	13	21	0
Municipal Manager	Manager	1	1	0	0
	Seniors	1	0	1	0
	Juniors	5	1	4	0
Technical Administration	Manager	1	1	0	0
	Seniors	11	2	9	0
	Juniors	95	38	8	49
Strategic Manager	Manager	1	1	0	0
	Seniors	4	0	4	0
	Juniors	7	3	4	0
Economic Development and Planning	Manager	1	1	0	0
	Seniors	7	1	6	0
	Juniors	27	9	18	0
Community Services Department	Manager	1	0	0	1
	Seniors	4	2	2	0
	Juniors	64	18	46	0
Total		328	127	148	53



Two of the Municipalities section 57 positions were vacant. A critical vacancy was that of the Municipal Manager. The CFO was appointed acting Municipal Manager in the interim. The other section 57 position that is vacant is the Manager Community Services which is a newly created position.

There are at least 51 vacancies that are critical at this stage, which have not been filled due to lack of funds. It is planned to fill most posts over the medium term expenditure framework period. The Municipality is severely short staffed due to a lack of funding and also faces challenges in recruiting and retaining staff due to its location.

OFFICE OF THE MUNICIPAL MANAGER

The office of the Municipal Manager has the following duties assigned to it;

- ⇒ Strategic management
- ⇒ Internal auditing
- ⇒ Special Programmes Unit.

MUNICIPAL TREASURY

The Chief Financial Officer is responsible for the Municipal Treasury which includes the management of Municipal assets & risks, revenue, the budget, the treasury function, internal financial control and financial reporting.

Key performance areas include

- ⇒ Developing the financial viability of the Municipality
- ⇒ Maximize the amount of Capital Budget spent on IDP related projects

A critical limitation in this Department at this stage is the absence of a Supply Chain Unit.

CORPORATE SERVICES

The Key Performance areas of this Department are:

- ⇒ Municipal Transformation and Organisational Development
- ⇒ Good Governance

The General Manager Corporate Services is responsible for

- ⇒ Administration
- ⇒ Human Resource Management
- ⇒ Registry and Archives
- ⇒ Executive and Council Support
- ⇒ Labour Relations
- ⇒ Information Technology
- ⇒ Legal Services

LED AND ENVIRONMENTAL MANAGER

The General Manager Economic and Development Planning is responsible for;

- ⇒ Local economic development with specific emphasis on tourism, agriculture and SMME's.
- ⇒ Development planning which includes integrated development planning, environmental conservation, town planning and building control.



INFRASTRUCTURE AND DEVELOPMENT

The General Manager Infrastructural Development is responsible for the development and maintenance of;

- ⇒ Roads
- ⇒ Storm Water
- ⇒ Community facilities and amenities
- ⇒ Electricity
- ⇒ Solid Waste Management and refuse removal

The Project Management Unit (PMU) is also assigned to this Department

COMMUNITY SERVICES

The General Manager Community Services is responsible for;

- ⇒ Protection Services which includes licensing, vehicle testing and traffic control.
- ⇒ Community Development which includes libraries, sport co-ordination, museums, housing coordination and community halls.

INSTITUTIONAL (HR) POLICY DEVELOPMENT

A total of thirty-five administration and human resources policies have been developed and are being implemented and includes the following;

- ⇒ Bursary Scheme Policy
- ⇒ Training and Development Policy
- ⇒ Placement Policy
- ⇒ Code of conduct for staff
- ⇒ Acting Allowance policy.
- ⇒ Employee Assistance Policy
- ⇒ HIV/AIDS policy
- ⇒ Recruitment and selection policy
- ⇒ Human Resource Development Strategy
- ⇒ Records management policy
- ⇒ Language policy
- ⇒ Exit interview policy
- ⇒ Computer and emails policy

EMPLOYMENT EQUITY

The Municipalities employment equity plan is outdated and application has been made to the Province to provide funding for the revision thereof through the Turn-Around Plan (TAP).

SKILLS DEVELOPMENT AND TRAINING

The Municipality has developed a draft Workplace Skills Plan in accordance with the Skills Development Act. The plan aims to address the identified skills shortage within the municipality. A draft WSP was drawn up with the assistance of a service provider, and was submitted to the Department of Labour and Local Government Sector Education and Training Authority as required. The municipality has access to training funding from by the Department of Labour and LGSETA. A Skills Audit was also compiled to enable the Municipality to identify the skills gaps among employees. A training programme and an implementation plan were drafted and are being implemented.



Categorisation Of Training Per Department

Community Services Department

- Palse Computer System for Librarians – 3 staff
- First Aid Level 1 – 3 staff
- Customer Service Excellence – 3 staff
- Basic Customer Care Workshop – 8 staff
- E Natis motor vehicle licensing – 2 staff

Technical Service

- First Aid Level 1 – 8 staff
- Customer Service Excellence – 1 staff
- Waste Management workshop – 2 staff (management)

Budget & Finance

- First Aid Level 1 – 1 staff
- Customer Service Excellence – 2 staff
- Budget & reporting regulations workshop – 2 staff
- Free Basic Services workshop – 2 staff
- Vat 419 for municipalities workshop – 2 staff

Corporate Services Department

- CPMD (Certificate Programme in Management Development for Municipal Finance) – 1 manager
- First Aid Level 1 – 3 staff
- Customer Service Excellence – 2 staff
- Basic Customer Care Workshop – 19 staff

Economic Development and Planning Department

- First Aid Level 1 – 2 staff
- Customer Service Excellence – 1 staff
- Community Development & Nature Conservation – 4 staff
- Customer Service and Marketing – 5 staff

Municipal Manager's Office

Customer Service Excellence – 1 staff

Mayor's Office

- Customer Service Excellence – 1 staff
- First Aid Level 1 – 1 staff

Council

- CPMD (Certificate Programme in Management Development for Municipal Finance) – 3 Councillors



ABET

2008	:	13 learners
New entrances 2009	:	16 learners
Total current learners 2009	:	29 learners

Levels

Level 1	:	05 learners
Level 2	:	10 learners
Level 3	:	14 learners

Six learners wrote exams in February 2009.

PERFORMANCE MANAGEMENT

Matatiele is in process of developing a Performance Management System in terms of Section 38 of the Municipal Systems Act. The process includes the development and implementation of an organisational performance management system which will not only regulate the performance of Section 57 Managers but which will also be cascaded down to other managers and officials within the municipality.

As a basis for accountability, extensive use will be made of (Service Delivery Budget Implementation Plans) SDBIP's and Annual Performance Agreements for Senior Management to measure performance.

INTER-GOVERNMENTAL RELATIONS

The Municipality participates in District IGR structures, even though they are not fully operational at this stage. These structures are composed of the Technical Task Group and District Mayors Forum. Service level agreements are being entered into where services are to be provided collaboratively by different departments

The following forums function at the district level:

- ⇒ District Mayors Forum;
- ⇒ District IDP and Budget Steering Committee;
- ⇒ Alfred Nzo IDP Representative Forum;
- ⇒ District Municipal Managers' Forum; and
- ⇒ District CFO Forum.

PARTNERSHIPS AND STRATEGIC RELATIONSHIPS

Matatiele Local Municipality has recognised the potential of strategic partnerships to develop its capacity. The Municipality is in process of concluding a partnership agreement with Johannesburg Metro and Quachas Nek District Administration in the Kingdom of Lesotho. Matatiele Local Municipality also collaborates closely with the District Municipality and benefits from strategic Inter-governmental partnerships entered into by the Alfred Nzo District Municipality.

TRADITIONAL LEADERSHIP - PARTNERSHIPS

Regular discussions and workshops are held between the political and traditional leadership aimed at forging a co-operative relationship.



3.3 TRENDS ON EXPENDITURE OF SALARY

Employee related costs can be summarised as follows:

	2009	2008
Employee related costs - Salaries and Wages	16,370,574	11,952,687
Employee related costs - Contributions for UIF, pensions and medical aids	2,691,329	2,345,680
Travel, motor car, accommodation, subsistence and other allowances	1,243,586	937,971
Housing benefits and allowances	378,738	340,909
Overtime Payments	678,013	446,017
Bonus	619,022	641,359
Staff Leave	589,620	509,435
Contribution to provision - Bonus		36,978
Defined Benefit Plan Expense	1,496,171	0
Contribution to provision -Long Service Awards		74,723
Contribution to provision - Post Retirement Medical		121,604
Total Employee Related Costs	24,067,054	17,407,363



The new Budget and Treasury Offices



CHAPTER 4

AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION



Matatiele Local Municipality ANNUAL FINANCIAL STATEMENTS 30 JUNE 2009

SUBMITTED 24 February 2010



MATATIELE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2009

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 91, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillor's as disclosed in note 32 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MR. D.C. VAN ZYL
CHIEF FINANCIAL OFFICER

24 February 2010



MATATIELE LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS 30 JUNE 2009

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MATATIELE LOCAL MUNICIPALITY
Parameters to be completed for Current Year

Name of Authority	MATATIELE LOCAL MUNICIPALITY
Financial Year-end	30 JUNE 2009
End of Next Year	30 June 2010
End of Current Year	30 June 2009
End of Previous Year	30 June 2008
End of Base Year	30 June 2007
Current Year	2009
Previous Year	2008
Base Year	2007
Next Financial Year	2009/2010
Current Financial Year	2008/2009
Previous Financial Year	2007/2008
Comparative Financial Year	2008/09 / 2007/08
Start of Current Year	01 July 2008
Start of Previous Year	01 July 2007



MATATIELE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The Annual Financial Statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) and standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance. Certain of the prescribed standards have been exempted in terms of General Notice 522 of 2007. However, the municipality has elected to early adopt some of the exempted standards as disclosed in Accounting Policy number 1.

Despite having instituted various control measures in order to improve the overall financial results of the municipality, the collection of arrear debt remains a challenge. The increase in the debtors book together with the increased number of indigent customers is indicative of the poverty that exists within the municipal area. However, the ongoing reviewing and monitoring of debt collection performance is expected to result in an improvement in the collection of arrears.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review. No figures are provided for the previous year because of the change in format of the Annual Financial Statements presented.

Financial Statement Ratios:

INDICATOR	2009	2008
Surplus / (Deficit) before Appropriations	56 527 225	45 120 752
Surplus / (Deficit) at the end of the Year	187 580 451	135 312 679
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.62%	32.35%
Remuneration of Councillors	11.20%	16.62%
Depreciation and Amortisation	0.00%	0.00%
Impairment Losses	8.02%	5.21%
Repairs and Maintenance	11.33%	6.04%
Interest Paid	0.18%	0.48%
Bulk Purchases	10.21%	11.69%
Contracted Services	6.93%	9.99%
Grants and Subsidies Paid	13.42%	4.38%
General Expenses	11.04%	13.22%
Current Ratio:		
Creditors Days	38	54
Debtors Days	35	66

The improvement in the ratio for Debtors Days, calculated on net Debtors, is because of an increase in the impairment losses of R6,8 million recognised in the year (2006/2007: R1,9 million million) and a substantial increase in the Provision for Impairment, which renders a favourable ratio for the year.



Matatiele Local Municipality Annual Report 2008/2009

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	30 785 777	14 140 935	117.71%	-	-
Operating income for the year	143 658 626	98 934 326	45.21%	181 981 238	(21.06)%
Appropriations for the year	(37 140 262)	(26 328 341)	41.07%	-	-
	137 304 140	86 746 920	58.28%	181 981 238	(24.55)%
Expenditure:					
Operating expenditure for the year	87 131 401	53 813 574	61.91%	113 860 999	(23.48)%
Sundry transfers	(9 253 880)	2 147 569	-530.90%	-	-
Closing surplus / (deficit)	55 186 754	30 785 777	79.26%	68 120 239	-
	133 064 275	86 746 920	53.39%	181 981 238	(26.88)%
	4 239 865				

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	153 336 871	108 511 201	41.31%	169 656 530	(9.62)%
Expenditure	84 698 736	54 430 146	55.61%	100 875 331	(16.04)%
Surplus / (Deficit)	68 638 135	54 081 055	26.92%	68 781 199	-
Surplus / (Deficit) as % of total income	44.76%	49.84%		40.54%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	11 837 366	5 294 108	123.60%	22 002 000	(46.20)%
Expenditure	284 366	-	-	-	-
Surplus / (Deficit)	11 553 000	5 294 108	118.22%	22 002 000	-
Surplus / (Deficit) as % of total income	97.60%	100.00%		100.00%	



Matatiele Local Municipality Annual Report 2008/2009

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	7 745 037	2 691 152	187.80%	7 277 522	6.42%
Expenditure	5 555 207	3 540 984	56.88%	10 017 578	(44.55)%
Surplus / (Deficit)	2 189 830	(849 832)	(357.68)%	(2 740 056)	-
Surplus / (Deficit) as % of total income	28.27%	(31.58)%		(37.65)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R8 889 732 (2007/2008: R6 293 431). Tariffs levied for electricity are subject to administered adjustments.

The envisaged introduction of REDS (Regional Electricity Distribution Suppliers), where electricity will be distributed a regional supplier, will impact materially on the Annual Financial Statements of the municipality.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	23 704 185	18 115 224	30.85%	24 892 948	(4.78)%
Expenditure	16 764 409	10 227 062	63.92%	14 832 049	13.03%
Surplus / (Deficit)	6 939 776	7 888 162	(12.02)%	10 060 899	-
Surplus / (Deficit) as % of total income	29.28%	43.54%		40.42%	

3.5 Water Services:

Water is supplied directly to the residents by Alfred Nzo District Municipality.



4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R53 559 799 (2007/2008: R21 479 048). Full details of Property, Plant and Equipment are disclosed in Note 7 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R25 566 859 was financed as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Capital Replacement Reserve	6 491 006	9 141 468	(28.99)%	10 351 200	(37.29)%
Grants and Subsidies	19 075 853	61 474 473	(68.97)%	70 013 800	(72.75)%
Public Contributions	-	90 198	(100.00)%	1 190 000	(100.00)%
	25 566 859	70 706 139	(63.84)%	81 555 000	(68.65)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2009	2008
Capital Replacement Reserve	25.39%	12.93%
Grants and Subsidies	74.61%	86.94%
Public Contributions	-	0.13%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.



5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2009	2008
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	68 120 239	64 077 429
Revenue variances	(38 322 612)	(47 158 893)
Expenditure variances:		
Employee Related Costs	4 586 667	5 607 651
Remuneration of Councillors	2 375 576	107 310
Depreciation and Amortisation	3 405 332	3 725 386
Impairment Losses	(5 991 898)	(1 701 420)
Repairs and Maintenance	685 886	858 442
Interest Paid	67 511	26 543
Bulk Purchases	850 268	1 206 569
Contracted Services	2 699 209	683 665
Grants and Subsidies Paid	14 413 715	12 115 181
General Expenses	3 669 432	5 579 341
Loss on disposal of Property, Plant and Equipment	(32 100)	(6 452)
Actual surplus before appropriations	56 527 225	45 120 752

DETAILS	2009	2008
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	68 120 239	64 077 429
Executive and Council	3 769 852	1 138 747
Finance and Administration	(4 109 663)	(3 867 758)
Planning and Development	746 154	772 801
Health	(100 571)	(3 071)
Community and Social Services	(8 024 966)	(5 388 815)
Housing	(10 801 616)	(15 504 217)
Public Safety	(220 700)	(667 534)
Sport and Recreation	120 564	(70 178)
Waste Management	4 929 886	(1 366 288)
Roads and Transport	(2 401 672)	(3 463 419)
Electrical services	(3 121 123)	4 032 702
Actual surplus before appropriations	48 906 384	39 690 399

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".



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5.2 Capital Budget:

DETAILS	Actual 2008/2009 R	Budgeted 2008/2009 R	Variance actual/ budgeted R
Community Services	24 831 108	38 510 406	(13 679 298)
Corporate Services	19 687	1 430 000	(1 410 313)
Economic Development & Planning	327 205	5 273 599	(4 946 394)
Executive & Council	1 540 410	3 364 100	(1 823 690)
Finance & Administration	550 251	1 562 699	(1 012 448)
Infrastructure	26 335 582	54 853 065	(28 517 483)
	53 604 243	104 993 869	(51 389 626)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2009 amounted to R153 058 174 (30 June 2008: R107 916 121) and is made up as follows:

Capital Replacement Reserve	7 773 163
Capitalisation Reserve	8 868 539
Government Grants Reserve	115 751 995
Accumulated Surplus	55 186 754
	<u>187 580 451</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Government Grants Reserve is utilised to offset the cost of depreciation of assets funded from government grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from the grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 2 and the Statement of Change in Net Assets for more detail.



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7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2009 was R728 913 (30 June 2008: R1 167 330).

Finance leases to the value of R209 870 were entered into during the year to acquire office machines.

Refer to Note 4 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2009 was R2 965 361 (30 June 2008: R1 944 806).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R899 412 as at 30 June 2009 (30 June 2008: R575 264) and is made up as follows:

Provision for Long-term Service	899 412
	<u>899 412</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R153 162 826 as at 30 June 2008 (30 June 2007: R108 885 703) and is made up as follows:

Consumer Deposits	Note 11	299 919
Provisions	Note 12	706 402
Creditors	Note 13	8 953 558
Unspent Conditional Grants and Receipts	Note 14	34 200 138
VAT Payable	Note 15	895 493
Operating Lease Liability	Note 16	21 411
Bank Overdraft	Note 6	1 356 596
Current Portion of Long-term Liabilities	Note 17	<u>264 973</u>
		<u>46 698 489</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R146 835 147 as at 30 June 2009 (30 June 2008: R99 362 784).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 562 447 as at 30 June 2009 (30 June 2008: R1 164 993).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 for more detail.

13. INVESTMENTS

The municipality held Investments to the value of R4 014 509 as at 30 June 2009 (30 June 2008: R3 495 296).



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The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 10 for more detail.

14. CURRENT ASSETS

Current Assets amounted R68 716 894 as at 30 June 2009 (30 June 2008: R81 840 470) and is made up as follows:

Inventory	Note 2	346 777
Consumer Debtors	Note 3	3 406 412
Other Debtors	Note 4	10 221 143
VAT Receivable	Note 5	6 019 609
Bank, Cash & Cash Equivalents	Note 6	50 452 206
		<u>70 446 146</u>

The substantial decrease is due to a decrease in bank, cash and cash equivalents. Council's Credit Control Policy will have to be applied strictly and adhered to in all circumstances in order to recover monies due to the municipality. The non-collection of debt also has a negative impact on the municipality's cashflow.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 14, 28 and 37, and Appendix "F" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

17. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format and is now presented as such on continuous basis.

18. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

26-Feb-10



MATATIELE LOCAL MUNICIPALITY **STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Note	2009 R	2008 R
ASSETS			
Current Assets		70 446 146	81 840 470
Inventory	2	346 777	547 617
Consumer Debtors	3	3 406 412	5 839 046
Other Debtors	4	10 221 143	6 968 317
VAT Receivable	5	6 019 609	240 409
Bank, Cash and Cash Equivalents	6	50 452 206	68 245 080
Non-Current Assets		189 038 627	136 305 517
Property, Plant and Equipment	7	183 442 931	130 258 488
Intangible Assets	8	1 562 447	1 164 993
Investment Property	9	18 740	1 386 740
Non-current Investments	10	4 014 509	3 495 296
Total Assets		259 484 774	218 145 987
LIABILITIES			
Current Liabilities		46 698 489	58 761 880
Consumer Deposits	11	299 919	310 689
Provisions	12	706 402	442 801
Creditors	13	8 953 558	7 949 140
Unspent Conditional Grants and Receipts	14	34 200 138	48 856 279
VAT Payable	15	895 493	-
Operating Lease Liabilities	16	21 411	-
Bank Overdraft	6	1 356 596	617 333
Current Portion of Long-term Liabilities	17	264 973	585 638
Non-Current Liabilities		4 054 613	2 939 795
Long-term Liabilities	17	463 940	581 692
Retirement Benefit Liabilities	18	2 805 075	1 836 871
Non-current Provisions	19	785 598	521 232
Total Liabilities		50 753 102	61 701 675
Total Assets and Liabilities		208 731 672	156 444 312
NET ASSETS		209 216 637	156 929 277
Statutory Funds	20	755 348	735 761
Reserves	21	20 880 838	20 880 838
Accumulated Surplus / (Deficit)	23	187 580 451	135 312 679
Total Net Assets		209 216 637	156 929 277



MATATIELE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

Budget			Actual		
2008	2009		2009	2008	
R	R		R	R	
		REVENUE			
13 296 170	14 244 804	Property Rates	24	15 267 695	12 779 302
450 000	500 000	Property Rates - Penalties imposed and collection charges	25	567 324	437 916
16 830 291	22 034 682	Service Charges	26	20 526 634	19 671 722
314 144	399 924	Rental of Facilities and Equipment	27	386 578	360 149
2 544 795	5 000 000	Interest Earned - External Investments	25	4 468 970	3 497 936
1 100 528	1 242 736	Interest Earned - Outstanding Debtors	25	2 037 479	1 260 385
431 000	663 500	Fines		613 056	432 756
760 000	830 000	Licences and Permits		859 090	797 038
109 399 301	135 805 587	Government Grants and Subsidies Received	28	97 395 591	58 867 784
-	-	Public Contributions and Donations	29	50 000	113 722
946 990	1 157 300	Other Income	30	1 450 208	680 781
20 000	-	Gains on Disposal of Property, Plant and Equipment		-	34 835
-	102 705	Profit on Sale of Land:-		36 000	-
	102 705	Sale of Land		36 000	-
146 093 219	181 981 238	Total Revenue		143 658 626	98 934 326
		EXPENDITURE			
23 015 015	28 653 721	Employee Related Costs	31	24 067 054	17 407 364
9 053 381	12 138 344	Remuneration of Councillors	32	9 762 768	8 946 071
3 725 386	3 405 332	Depreciation and Amortisation	33	-	-
1 100 000	1 000 000	Impairment Losses	34	6 991 898	2 801 420
4 109 435	10 559 475	Repairs and Maintenance		9 873 589	3 250 993
286 770	222 900	Finance Costs	35	155 389	260 227
7 500 000	9 750 000	Bulk Purchases	36	8 899 732	6 293 431
6 061 147	8 734 670	Contracted Services		6 035 461	5 377 482
14 469 876	26 103 525	Grants and Subsidies Paid	37	11 689 810	2 354 695
12 694 780	13 293 032	General Expenses	38	9 623 600	7 115 439
-	-	Loss on Disposal of Property, Plant and Equipment		32 100	6 452
82 015 790	113 860 999	Total Expenditure		87 131 401	53 813 574
		OTHER REVENUE / EXPENDITURE INCURRED			
64 077 429	68 120 239	SURPLUS / (DEFICIT) FOR THE YEAR		56 527 225	45 120 752

Refer to Appendix E(1) for explanation of budget variances



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MATATIELE LOCAL MUNICIPALITY								
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009								
Description	Housing Development Fund	Revaluation Reserve	Accumulated Surplus / (Deficit) Account				Total for Accumulated Surplus/(Deficit) Account	Total
			Capital Replacement Reserve	Capitalisation Reserve	Government Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R	R	R	R	R
2008								
Balance at 30 June 2007	734 044	17 330 976	3 500 000	3 894 397	47 104 079	14 140 935	68 639 411	86 704 431
Change in Accounting Policy (Note 40)						-	-	-
Correction of Error (Note 41)		3 088 381			1 347 015	(2 147 569)	(800 554)	2 287 827
Correction of Error Due to Depreciation		3 596 869		5 262 490	12 874 841		18 137 331	
Restated Balance	734 044	24 016 226	3 500 000	9 156 887	61 325 935	11 993 366	85 976 188	88 992 258
Surplus / (Deficit) for the year						45 120 752	45 120 752	45 120 752
Net gains / (losses) not recognised in the Statement of Financial Performance								
Transfer to Housing Development Fund	1 716					(1 716)	(1 716)	0
Funds utilised to finance PPE	-					-	-	-
Surplus on revaluation of Property, Plant & Equipment		-				-	-	-
Deficit on revaluation of Property, Plant & Equipment		-				-	-	-
Transfer to CRR			4 500 000			(4 500 000)	-	-
Property, Plant and Equipment purchased			(239 988)			239 988	-	-
Donated / Contributed PPE						-	-	-
Grants utilised to obtain PPE					22 066 613	(22 066 613)	-	-
Contribution to Insurance Reserve						-	-	-
Insurance claims processed						-	-	-
Interest received	-					-	-	-
Asset disposals accumulated depreciation						-	-	-
Asset disposals		(54 955)				-	-	(54 955)
Offsetting of Depreciation						-	-	-
Balance at 30 June 2008	735 761	23 961 271	7 760 012	9 156 887	83 392 548	30 785 777	131 095 224	134 058 056
						(0.00)		
Change in Accounting Policy (Note 40)						-	-	-
Correction of Error (Note 41)		(3 080 433)			5 347	9 253 880	9 259 227	6 178 794
Correction of Error Due to Depreciation		(484 965)		(288 348)	(4 753 424)		(5 041 772)	
Restated Balance at 30 June 2008	735 761	20 395 873	7 760 012	8 868 539	78 644 471	40 039 657	135 312 679	140 236 850
2009								
Surplus / (Deficit) for the year						56 527 225	56 527 225	56 527 225
Write back of depreciation due to offsetting of accumulated surplus						(4 239 865)	(4 239 865)	(4 239 865)
Transfer to Housing Development Fund	1 378					(1 378)	(1 378)	-
Funds utilised to finance PPE	-					-	-	-
Surplus on revaluation of Property, Plant & Equipment		-				-	-	-
Deficit on revaluation of Property, Plant & Equipment		-				-	-	-
Transfer to/from CRR			15 100 000			(15 100 000)	-	-
Property, Plant and Equipment purchased			(15 086 849)			15 086 849	-	-
Donated / Contributed PPE						-	-	-
Grants utilised to obtain PPE					37 107 524	(37 107 524)	-	-
Contribution to Insurance Reserve						-	-	-
Insurance claims processed						-	-	-
Interest received/(paid)	18 209					(18 209)	(18 209)	-
Asset disposals						-	-	-
Offsetting of Depreciation						-	-	-
Balance at 30 June 2009	755 348	20 395 873	7 773 163	8 868 539	115 751 995	55 186 754	187 580 451	192 524 209

Details on the movement of the Funds and Reserves are set out in Note 20, 21 and 23.



MATATIELE LOCAL MUNICIPALITY **CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		128 182 293	106 452 633
Cash paid to Suppliers and Employees		(85 818 535)	(49 874 977)
Cash generated from / (utilised in) Operations	42	42 363 758	56 577 656
Interest received	25	6 506 449	4 758 321
Interest paid	35	(155 389)	(260 227)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		48 714 819	61 075 750
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(52 359 799)	(21 479 048)
Purchase of Intangible Assets	8	(44 450)	(713 832)
Purchase of Investment Property	11	-	-
Proceeds on Disposal of Property, Plant and Equipment		(32 058 408)	63 387
Proceeds on Disposal of Intangible Assets		-	-
Proceeds on Disposal of Investment Property		36 000	-
(Increase) / decrease in Non-current Investments	10	(519 213)	(453 210)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(84 945 870)	(22 582 703)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	17	209 870	234 147
Loans repaid	17	(648 287)	(828 176)
(Decrease) / Increase in consumer deposits	11		
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(438 417)	(594 029)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	(18 532 138)	32 905 816
Cash and Cash Equivalents at the beginning of the year		67 627 747	34 721 931
Cash and Cash Equivalents at the end of the year		49 095 609	67 627 747



MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
1. GENERAL INFORMATION		
<p>Matatiele Local Municipality (the municipality) is a local government institution in Matatiele, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.</p>		
2. INVENTORY		
Consumable Stores - at cost	344 108	544 948
Medallions - at cost	2 669	2 669
Total Inventory	346 777	547 617

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period, in respect of both Continuing and Discontinued Operations, was R209 573 (2008: R79 596).

Inventories of R2 669 (2008: R2 669) are expected to be utilised only after more than twelve months.

3. CONSUMER DEBTORS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2009			
Service Debtors:	19 325 775	(15 919 363)	3 406 412
Assessment Rates	13 617 955	(12 600 587)	1 017 368
Electricity	2 512 150	(550 378)	1 961 772
Refuse	3 195 670	(2 768 398)	427 272
Total Consumer Debtors	19 325 775	(15 919 363)	3 406 412
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2008			
Service Debtors:	17 145 680	(11 306 634)	5 839 046
Assessment Rates	8 883 168	(8 696 365)	186 803
Electricity	5 419 741	(249 984)	5 169 757
Refuse	2 842 771	(2 360 285)	482 486
Total Consumer Debtors	17 145 680	(11 306 634)	5 839 046

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.



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	2009 R	2008 R
3.1 Ageing of Consumer Debtors		
Rates: Ageing		
<u>Current:</u>		
0 - 30 days	524 462	-
<u>Past Due:</u>		
31 - 60 Days	316 740	37 314
61 - 90 Days	174 473	149 488
91 - 120 Days	132 069	124 434
121 - 150 Days	12 470 210	94 931
+ 150 Days		8 477 001
Total	13 617 955	8 883 168

Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	1 030 620	735 529
<u>Past Due:</u>		
31 - 60 Days	621 614	4 399 742
61 - 90 Days	309 438	69 707
91 - 120 Days	102 898	34 587
121 - 150 Days	447 581	27 961
+ 150 Days		152 215
Total	2 512 150	5 419 741

Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	136 535	194 295
<u>Past Due:</u>		
31 - 60 Days	162 377	159 076
61 - 90 Days	129 306	129 115
91 - 120 Days	111 579	120 146
121 - 150 Days	2 655 873	113 985
+ 150 Days		2 126 154
Total	3 195 670	2 842 771

3.2 Summary of Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2009				
<u>Current:</u>				
0 - 30 days	666 325	983 420	44 437	
<u>Past Due:</u>				
31 - 60 Days	602 432	558 322	11 533	
61 - 90 Days	377 204	812 321	5 591	
91 - 120 Days	274 296	78 081	5 393	
+ 120 Days	15 131 332	5 913 781	300 996	
Sub-total	17 051 588	8 345 926	367 950	-
Less: Provision for Impairment	(14 881 736)	(736 878)	(300 749)	-
Total Debtors by Customer Classification	2 169 852	7 609 048	67 201	-

As at 30 June 2008				
<u>Current:</u>				
0 - 30 days	95 655	934 595	704 131	
<u>Past Due:</u>				
31 - 60 Days	2 373 451	2 322 452	15 138	
61 - 90 Days	280 774	181 614	1 321	
91 - 120 Days	253 840	245 331	791	
+120 Days	11 023 903	4 631 597	717 138	
Sub-total	14 027 624	8 315 589	1 438 519	-
Less: Provision for Impairment	(7 183 251)	(4 068 615)	(54 769)	-
Total Debtors by Customer Classification	6 844 373	4 246 974	1 383 750	-



Matatiele Local Municipality Annual Report 2008/2009

	2009 R	2008 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	11 306 634	6 529 337
Impairment Losses recognised		1 975 877
Contribution during year	6 902 459	2 801 420
Amounts written off as uncollectable	(2 289 730)	-
Amounts recovered	-	-
Balance at end of year	15 919 363	11 306 634

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding for periods exceeding 90 days based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

3.4 Ageing of impaired Consumer Debtors

0 - 30 Days		-
31 - 60 Days		-
61 - 90 Days		-
91 - 120 Days	346 546	499 962
+ 120 Days	15 572 817	10 806 672
Long-term Loan Debtors		
Total	15 919 363	11 306 634

4. OTHER DEBTORS

Health Subsidy control	782 884	684 072
Sundry Debtors Control	-	95
Housing debtors	35 467	35 681
Insurance Debtors	3 997	5 271
Miscellaneous Debtors	111 392	109 820
Sisonke District Mun	524 619	524 619
Councillors Salaries Overpayment	1 249 312	-
Debtors Interest	141 584	313 405
Lu Framework DBSA	211 405	-
DME Electricity	872 302	-
Pre-paid expenses	105 309	-
Debtors Sundry	6 404 222	5 427 267
	10 442 494	7 100 229
Less: Provision for Impairment	(221 351)	(131 912)
Total Other Debtors	10 221 143	6 968 317

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.



Matatiele Local Municipality Annual Report 2008/2009

4.1 Reconciliation of Provision for Impairment

Balance at beginning of year	131 912	2 107 789
Impairment Losses recognised	89 440	
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(1 975 877)
Amounts recovered	-	-
Balance at end of year	<u>221 351</u>	<u>131 912</u>

The Provision for Bad Debts was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

5. VAT RECEIVABLE

Vat Receivable	<u>6 019 609</u>	<u>240 409</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. BANK, CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	142 446	90 641
Investment Deposits	50 309 760	68 154 439
Total Bank, Cash and Cash Equivalents	<u>50 452 206</u>	<u>68 245 080</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Short-term Portion of Investments	50 309 760	68 154 439
Total Current Investment Deposits	<u>50 309 760</u>	<u>68 154 439</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,660 % per annum.

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and Prior Period Errors (Note 41).

Deposits of R14 786 438 (2008: R34 230 334) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R7 770 000 (2008: RNIL) are ring-fenced and attributable to the Capital Replacement Reserve.



Matatiele Local Municipality Annual Report 2008/2009

The Municipality has the following bank accounts:

6.2 Bank Accounts

Transmission Account

Standard Bank - Matatiele - Account number 060435224

Cash book balance at beginning of year	89 391	483 452
Cash book balance at end of year	<u>141 196</u>	<u>89 391</u>
Bank statement balance at beginning of year	89 775	561 589
Bank statement balance at end of year	<u>-</u>	<u>89 775</u>

Primary Bank Account

First National Bank - Matatiele - Account number 62108495187

Cash book balance at beginning of year	(617 333)	(302 516)
Cash book balance at end of year	<u>(1 356 596)</u>	<u>(617 333)</u>
Bank statement balance at beginning of year	174 043	898 778
Bank statement balance at end of year	<u>4 038 945</u>	<u>174 043</u>

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash equivalents

Cash Floats and Advances	1 250	1 250
Other Cash Equivalents	-	-
Cash on hand in Cash Floats, Advances and Equivalents	<u>1 250</u>	<u>1 250</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.



Matatiele Local Municipality Annual Report 2008/2009

MATATIELE LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7. PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in ASB Directive 4. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 August 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2008	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
Cost	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
- Completed Assets	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Re-classification								
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	(10 787 518)	8 674 290	(4 434 872)	-	7 404 844	-	-	856 744
- Cost	(10 787 518)	8 674 290	(4 434 872)	-	7 404 844	-	-	856 744
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Acquisitions	44 092	34 274 367	11 359 507	-	6 681 833	-	-	52 359 799
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Disposals:	(22 100)	-	-	-	(10 000)	-	-	(32 100)
- Cost	(22 100)	-	-	-	(10 000)	-	-	(32 100)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Carrying values at 30 June 2009	15 810 377	94 896 926	33 399 468	-	39 336 160	-	-	183 442 931
Cost	15 810 377	94 896 926	33 399 468	-	39 336 160	-	-	183 442 931
- Completed Assets	15 810 377	94 896 926	33 399 468	-	39 336 160	-	-	183 442 931
- Under Construction	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-



Matatiele Local Municipality Annual Report 2008/2009

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2008

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2007	26 607 238	39 093 284	23 029 903	-	20 043 550	-	-	108 773 975
Cost	26 607 238	39 093 284	23 029 903	-	20 043 550	-	-	108 773 975
- Completed Assets	26 607 238	39 093 284	23 029 903	-	20 043 550	-	-	108 773 975
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	12 854 985	3 444 930	-	5 179 133	-	-	21 479 048
Donated vehicles and equipment	-	-	-	-	111 965	-	-	111 965
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Disposals:	(31 335)	-	-	-	(75 165)	-	-	(106 500)
- Cost	(31 335)	-	-	-	(75 165)	-	-	(106 500)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2008	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
Cost	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
- Completed Assets	26 575 903	51 948 269	26 474 833	-	25 259 483	-	-	130 258 488
- Under Construction	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-

99 362 794.00

30 895 694

Other movements of Property, Plant and Equipment to the amount of R809 708 (2008: R639 022) were in respect of assets transferred from Intangible Assets and Investment Properties (see Note 10 and 11).

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.



MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
At Original Cost:	28 162 244	72 882 276
Land and Buildings	4 139 830.45	4 031 922.56
Infrastructure	9 778 318	38 245 937
Community	9 840 125	23 598 970
Other	3 824 276	6 934 456
Intangible assets	579 695	70 990

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:

All PPE retired from active use and held for disposal is carried at a NIL balance as the assets are fully depreciated.

7.3 Assets pledged as security:

No assets are pledged as security.

7.4 Impairment of Property, Plant and Equipment:

Impairment of Property, Plant and Equipment was taken into consideration by the Municipality, at 30 June 2009.

The total amount of R201 374 disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Infrastructure: Solid Waste Sites	-	-
Other: Computer Equipment	-	-
Other: Furniture and Fittings	-	-
Other: Motor vehicles	-	-
Other: Office Equipment	-	-
Other: Plant & Equipment	-	-
Other: Traffic Equipment	-	-
Total Impairment of Property, Plant and Equipment	-	-

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The municipality did not review the estimated useful life of various assets of the municipality for the mentioned departments for the financial year 2008/2009.

7.6 Land and Buildings carried at Fair Value:

An independent valuation of the municipality's Land and Buildings was performed by HCB Property Valuations, registered and independent valuers, to determine the fair value thereof. The valuation, which conforms to International Valuation Standards, was made on the basis of recent market transactions on arm's length terms. The effective date of the valuation is 1 July 2009.

7.8 Compensation received for Losses:

No compensation was received from the municipality's insurers for Property, Plant and Equipment lost during the year as no PPE was lost.



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8. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1 562 447	1 164 993
The movement in Intangible Assets is reconciled as follows:		
		Total
	2009	2008
	R	R
Carrying values at 01 July	1 164 993	638 922
Cost	2 128 193	1 412 604
Accumulated Revaluation	-	-
Accumulated Amortisation	-	-
Accumulated Impairment Losses	-	-
Re-classified during the Year:	562 569	-
At Cost	511 282	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Acquisitions during the Year:	44 450	715 589
Purchased	44 450	713 832
Donated	-	1 757
Work-in-Progress at Year-end	-	-
Increases in Revaluations during the Year	-	-
Amortisation during the Year:	-	-
Purchased	-	-
Internally Developed	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Decreases in Revaluations during the Year	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	1 562 447	1 164 993
Cost	2 683 925	2 128 193
Accumulated Revaluation	-	-
Accumulated Amortisation	-	-
Accumulated Impairment Losses	-	-

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets:

The municipality's intangible assets only comprise of computer related software.



Matatiele Local Municipality Annual Report 2008/2009

9. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	<u>18 740</u>	<u>1 386 740</u>
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	1 386 740	1 386 740
Cost	1 386 740	1 386 740
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Re-classified during the Year:	(1 368 000)	-
At Cost	(1 368 000)	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	18 740	1 386 740
Cost	18 740	1 386 740
Accumulated Depreciation	-	-
Accumulated Impairment	-	-

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	-	27 368
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The large reduction in investment property is due to land previously identified as Investment Property, been re-classified as PPE as Council no longer intends selling the land.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10. NON-CURRENT INVESTMENTS

Financial Instruments

Fixed Deposits	<u>54 324 269</u>	<u>71 649 735</u>
Total Investments		
All Investments	54 324 269	71 649 735
Less: Short-term Portion transferred to Current Investments	(50 309 760)	(68 154 439)
	<u>4 014 509</u>	<u>3 495 296</u>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 9,42 % to 15,27 % per annum.

Deposits of R753 970 (2008: RNil) are ring-fenced and attributable to the cash-portion of the Housing Development Fund.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.



Matatiele Local Municipality Annual Report 2008/2009

11. CONSUMER DEPOSITS

Electricity	299 919	310 689
Total Consumer Deposits	299 919	310 689
Guarantees held in lieu of Electricity Deposits	75 651	75 651

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

12. PROVISIONS

Bonus	432 302	280 834
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 5 above)	160 286	107 935
Current Portion of Non-Current Provisions (See Note 6 above):	113 814	54 032
Long-term Service	113 814	54 032
Total Provisions	706 402	442 801

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Performance Bonuses R	Bonus R
30 June 2009		
Balance at beginning of year	-	280 834
Contributions to provision	-	151 468
Expenditure incurred	-	-
Balance at end of year	-	432 302
30 June 2008		
Balance at beginning of year	66 300	329 312
Contributions to provision	-	36 979
Expenditure incurred	(66 300)	(85 457)
Balance at end of year	-	280 834

13. CREDITORS

Trade Creditors	4 008 013	3 626 740
Payments received in Advance	565 160	583 356
Alfred Nzo District Mun	1 896 883	1 949 669
Leave provision	1 607 118	1 092 549
Income received in advance	302 460	-
Sundry Deposits	104 701	315 686
Other Creditors	469 223	365 812
Insurance credit	-	15 329
Total Creditors	8 953 558	7 949 140

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.



Matatiele Local Municipality Annual Report 2008/2009

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

	34 200 138	48 856 279
National Government Grants	9 662 765	5 132 145
Provincial Government Grants	19 337 793	34 479 086
Local Government Grants	3 481 839	7 000 054
Other Spheres of Government	1 717 741	2 244 994

14.2 Other Conditional Receipts

Developers Contributions	-	-
Public Contributions	-	-

Total Conditional Grants and Receipts

34 200 138	48 856 279
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The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Other Spheres of Government.

Refer to Appendix "F" for more detail on Conditional Grants.

15. VAT PAYABLE

Vat Payable	895 493	-
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	-	-
Operating Lease expenses recorded	228 611	-
Operating Lease payments effected	(207 200)	-
Total Operating Lease Liabilities	21 411	-

16.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 3 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

16.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	968 512	-
Up to 1 year	375 920	-
2 to 5 years	592 592	-
More than 5 years	-	-
Total Operating Lease Arrangements	968 512	-

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	228 611	-
Total Operating Lease Expenses	228 611	-

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Buildings

No restrictions have been imposed on the municipality in terms of the operating lease agreements.



Matatiele Local Municipality Annual Report 2008/2009

17. LONG TERM LIABILITIES

Annuity Loans	277 038	550 102
Finance Lease Liabilities	196 683	77 807
Other Loans	255 192	539 421
Sub-total	728 913	1 167 330
Less: Current Portion transferred to Current Liabilities:-	(264 973)	(585 638)
Annuity Loans	(176 931)	(267 821)
Finance Lease Liabilities	(88 042)	(317 817)
Other Loans	(255 192)	-
Total Long-term Liabilities (Neither past due, nor impaired)	463 940	581 692

Finance Lease Liabilities have been restated to correctly reflect a Installment Sale Agreement incorrectly reflected as a Finance Lease Liability as Other Loans.

Refer to Appendix A for more detail.

17.1 Summary of Arrangements

Annuity Loans are repaid over periods of 20 (2008: 20) years and at interest rates varying from 16.72% to 17.55% (2008: 16.72% to 17.55%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles and Equipment with lease terms of 3 to 5 (2008: 5) years. The effective interest rate on Finance Leases is 11,5% (2008: 11,5%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 5 (2008: 5) years and at an interest rate of 10,5% (2008: 10,5%) per annum.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2008: 5 years). The effective interest rate on Finance Leases is 11,5% (2008: 11,5%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2009 R	2008 R	2009 R	2008 R
Amounts payable under finance leases:				
Within one year	88 042	50 460	88 042	50 460
In the second to fifth years, inclusive	108 641	27 347	108 641	27 347
	196 683	77 807	196 683	77 807
Present Value of Minimum Lease Obligations	196 683	77 807	196 683	77 807
Less: Amounts due for settlement within 12 months (Current Portion)			(88 042)	(50 460)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			108 641	27 347

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Included in these classes are the

(i) Photocopiers and telephone equipment

- Installments are payable quarterly in advance
- Average period outstanding (months)
- Average effective interest rate
- Average quarterly installment

Yes	Yes
12	12
11.50%	11.50%
R 7 220	R 102 360

(ii) Vehicles

- Installments are payable monthly in arrears
- Average period outstanding (months)
- Average effective interest rate, based on prime
- Average monthly installment

Yes	Yes
17	29
11.50%	11.50%
R 1 565	R 21 077



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18. RETIREMENT BENEFIT LIABILITIES

18.1 Post-retirement Health Care Benefits Liability

Post-Employment Health Care Benefit Liability

2009 R	2008 R
2 965 361	1 944 806
2 965 361	1 944 806
(160 286)	(107 935)
2 805 075	1 836 871

Total Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by ARCH Actuarial Consulting, Fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	26	26
Continuation Members (Retirees, widowers and orphans)	10	10
Total Members	36	36

The liability in respect of past service has been estimated as follows:

In-service Members	1 501 670	856 423
Continuation Members	1 463 691	1 088 383
Total Liability	2 965 361	1 944 806

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- Samwumed

The future service cost for the year ending 30 June 2010 is estimated to be R149 151, whereas the cost for the year ending 30 June 2011 is estimated to be R162 875 (2008: R83 683 and R145 856 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.20%	8.00%
Health Care Cost Inflation Rate	7.73%	6.00%
Net Effective Discount Rate	1.36%	1.90%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1 944 806	1 823 202
	240 109	229 539
Current service costs	89 122	83 683
Interest cost	150 987	145 856
Actuarial losses / (gains)	895 397	-
Liabilities extinguished on settlements	(114 951)	(107 935)
Present Value of Fund Obligation at the end of the Year	2 965 361	1 944 806
Total Recognised Benefit Liability	2 965 361	1 944 806



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Plan assets

The plan is wholly unfunded and as such there are no plan assets.

Total employer contributions during the year amounted to:	114 951	107 935
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2 965 361	1 944 806
	<u>2 965 361</u>	<u>1 944 806</u>
Total Benefit Liability	<u>2 965 361</u>	<u>1 944 806</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	89 122	83 683
Interest cost	150 987	145 856
Actuarial losses / (gains)	895 397	-
Total Post-retirement Benefit included in Employee Related Costs	<u>1 135 506</u>	<u>229 539</u>

The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Obligation	2 965 361	1 944 806	1 823 202	-	-
liabilities	877 379	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are

	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost in the ensuing year	487 300	-
Effect on the defined benefit obligation	3 399 000	-
Decrease:		
Effect on the aggregate of the current service cost and the interest cost in the ensuing year	356 600	-
Effect on the defined benefit obligation	2 611 000	-

The municipality expects to make a contribution of R107 935 (2008: R160 286) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.



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19. NON-CURRENT PROVISIONS

Long Service Bonuses	899 412	575 264
	899 412	575 264
Transfer to Current Provisions	(113 814)	(54 032)
Total Long Service Bonus Liability	785 598	521 232

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5 years and every 5 years thereafter of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by ARCH Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The employees eligible for Long Service Bonuses, are made up as follows:

In-service Members (Employees)	154	303
Total	154	303

The liability in respect of past service has been estimated as follows:

In-service Members	899 412	575 264
Total Liability	899 412	575 264

The future service cost for the year ending 30 June 2010 is estimated to be R259 264, whereas the

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.22%	8.00%
General Salary Inflation	6.70%	6.00%
Net Effective Discount Rate	2.36%	1.90%

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	575 264	500 541
	140 647	128 755
Current service costs	95 809	88 712
Interest cost	44 838	40 043
Actuarial losses / (gains)	213 074	-
Liabilities extinguished on settlements	(29 573)	(54 032)
Present Value of Fund Obligation at the end of the Year	899 412	575 264
Total Recognised Benefit Liability	899 412	575 264

Plan assets

The plan is wholly unfunded and as such there are no plan assets.

Total employer contributions during the year amounted to:	29 573	54 032
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	899 412	575 264
	899 412	575 264
Total Benefit Liability	899 412	575 264

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	95 809	88 712
Interest cost	44 838	40 043
Actuarial losses / (gains)	213 074	-
Total Long Service Bonus included in Employee Related Costs	353 721	128 755



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The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Obligation	899 412	575 264	500 541	-	-
liabilities	232 724	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The municipality expects to make a benefit payment of R113 814 (2008: R29 573) to the Defined Benefit Plans during the next financial year.

20. STATUTORY FUNDS

Statutory Fund No 1	-	-
Housing Development Fund:	755 348	735 761
Unappropriated Surplus	755 348	735 761
Total Statutory Funds	755 348	735 761

20.1 Housing Development Fund

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Reconciliation of the Housing Development Fund:

Balance at beginning of year	735 761	734 045
Revenue:	19 588	1 716
Interest	18 209	-
Housing Rental Debtors	1 378	1 716
Less; Expenditure:	-	-
Balance at end of year	755 348	735 761

The Housing Development Fund is represented by the following Assets and Liabilities:

Consumer Debtors (See note 13)	1 378	1 716
Cash and Cash Equivalents	753 970	734 045
Total Housing Development Fund Assets and Liabilities	755 348	735 761



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21. RESERVES

Revaluation Reserve	20 880 838	20 880 838
Total Reserves	20 880 838	20 880 838

21.1 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's Accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

The following restrictions are placed on the distribution of the balance of the reserve:

Reconciliation of the Revaluation Reserve:

Balance at beginning of year	20 880 838	24 016 226
Correction of depreciation		(3 080 433)
Transfer due to disposal of revalued assets	-	(54 955)
Balance at end of year	20 880 838	20 880 838

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

22. DEFERRED REVENUE

Deferred Revenue has been restated to adhere to the provisions of GRAP 23, *Revenue from Non-exchange Transactions*, in accounting for assets acquired from Government Grants. Refer to Note 40 on "Change in Accounting Policy" for details of the restatement.

23. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	7 773 163	7 760 012
Capitalisation Reserve	8 868 539	8 868 539
Government Grants Reserve	115 751 995	78 644 471
Accumulated Surplus / (Deficit) due to the results of Operations	55 186 754	40 039 657
Total Accumulated Surplus	187 580 451	135 312 679

Accumulated Surplus has been restated to adhere to the provisions of GRAP 23, *Revenue from Non-exchange Transactions*. Refer to Note 38.1 on "Change in Accounting Policy" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.



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24. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2009 R000's	July 2008 R000's		
Residential	224 266	224 266	8 798 144	7 998 268
Commercial	116 958	116 958	5 471 756	4 974 301
Agricultural	15 289	15 289	628 362	571 236
State	30 269	30 269	1 206 290	1 096 621
Municipal	32	32	3 889	3 536
Exempted Properties	20 567	20 567	-	-
Total Assessment Rates	407 381	407 381	16 108 441	14 643 961
(Plus)/less corrections			840 746.02	1 864 659.40
			15 267 694.56	12 779 302.00
Attributable to:				
Continuing Operations			15 267 695	12 779 302
			15 267 695	12 779 302

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 1997. A general valuation has been performed during the financial year but will only come into effect on 1 July 2009.

	2009 c/R	2008 c/R
The following rates and charged and rebates given:		
Yearly Matatiele Building Rates	0.0242638	0.022058
Building 35% Rebate	0.0084909	0.007719
Yearly Matatiele Land Rates	0.0951808	0.086528
Land 35% Rebate	0.0333135	0.030285
Cedarville & Maluti Land Rates	0.1196899	0.108809
Cedarville & Maluti Building Rates	0.0350977	0.031907
Monthly Matatiele Building Rates	0.0242638	0.022058
Building 35% Rebate	0.0084909	0.007719
Monthly Matatiele Land Rates	0.0951808	0.086528
Land 35% Rebate	0.0333135	0.030285

MATATIELE

Rebate of 35% is applicable to all properties in all zoning used as domestic dwellings.

A 60% rebate is applicable to properties zoned agricultural.

CEDARVILLE & MALUTI

A 95% rebate is applicable to properties zoned agricultural.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.



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	2009 R	2008 R
25. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	567 324	437 916
	567 324	437 916
External Investments:		
Investments	4 468 970	3 497 936
	4 468 970	3 497 936
Outstanding Debtors:		
Outstanding Billing Debtors	2 037 479	1 260 385
	2 037 479	1 260 385
		0.48
Total Interest Earned	7 073 773	5 196 237
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	4 468 970	3 497 936
Loans and Receivables	2 604 803	1 698 301
	7 073 773	5 196 237
Interest Earned on Non-financial Assets	-	-
	7 073 773	5 196 237
Revenue recognised in respect of Financial Assets designated as at "fair value through profit or loss" is disclosed in Note 45.2.		
26. SERVICE CHARGES		
Sale of Electricity	17 461 548	17 372 854
Refuse Removal	3 065 087	2 298 868
	20 526 634	19 671 722
Total Service Charges	20 526 634	19 671 722
Attributable to:		
Continuing Operations	20 526 634	19 671 722
	20 526 634	19 671 722
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
27. RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Other Rental Revenue	256 877	280 206
Rental Revenue from Amenities	16 349	10 568
Rental Revenue from Buildings	6 572	6 910
Rental Revenue from Halls	77 684	32 475
Rental Revenue from Land	25 522	27 369
Rental Revenue from Other Facilities	3 574	2 621
	386 578	360 149
Total Rental of Facilities and Equipment	386 578	360 149
Attributable to:		
Continuing Operations	386 578	360 149
	386 578	360 149
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		



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28. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	(46 917 051)	(33 075 652)
Provincial Health Subsidies	(1 883 412)	(2 153 613)
Provincial Museum Subsidies	-	(51 121)
Provincial Road Subsidies	(10 050)	(10 050)
Operational Grants	(48 810 513)	(35 290 436)
	-	-
Conditional Grants	(48 585 078)	(23 577 348)
National: FMG Grant	(399 677)	(493 958)
National: MIG Funds	(14 062 799)	(12 320 051)
National: MSG Funds	(1 135 729)	(420 000)
National: Department of Mineral and Energy	(4 157 785)	-
National: National Treasury	(2 382 759)	-
Provincial: Treasury	(10 405 605)	(542 720)
Provincial: Department Economic Affairs and Trade (DEAT)	(44 092)	-
Provincial: Dept Housing, Local Government and Traditional Affairs (DHLGTA)	(11 817 153)	(5 292 391)
Local Government - Local Municipalities	(3 518 214)	(3 320 254)
Other Government	(661 265)	(1 187 974)

Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)

- -

Total Government Grants and Subsidies

(97 395 591) (58 867 784)

Attributable to:

Continuing Operations

(97 395 591) (58 867 784)

(97 395 591) (58 867 784)

Operational Grants:

28.1 National: Equitable Share

Balance unspent at beginning of year	(2 476 812)	(845 990)
Current year receipts	(44 440 239)	(34 706 474)
Conditions met - transferred to Revenue: Operating Expenses	46 917 051	33 075 652
Conditions still to be met - transferred to Liabilities (see Note 14)	-	(2 476 812)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month.

28.2 Provincial: Health Subsidies

Balance unspent at beginning of year	684 072	446 685
Current year receipts - included in Public Health vote	(1 784 600)	(1 916 226)
- Primary Health	(1 784 600)	(1 916 226)
Conditions met - transferred to Revenue	1 883 412	2 153 613
Conditions still to be met - transferred to Current Assets (see Note 4)	782 884	684 072

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

28.3 Provincial: Museum Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	-	(51 121)
Conditions met - transferred to Revenue: Operating Expenses	-	51 121
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-

This grant was allocated towards the running costs of the Museum.

28.4 Provincial: Road Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	(10 050)	(10 050)
Conditions met - transferred to Revenue: Operating Expenses	10 050	10 050
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.



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Conditional Grants:

28.5 National: FMG Grant

Balance unspent at beginning of year	(6 042)	-
Current year receipts	(500 000)	(500 000)
Conditions met - transferred to Revenue: Operating Expenses	399 677	493 958
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(106 365)</u>	<u>(6 042)</u>

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

28.6 National: MIG Funds

Balance unspent at beginning of year	(2 100 935)	(1 053 912)
Current year receipts	(16 070 000)	(13 300 000)
Interest allocated	(4 638 214)	(67 074)
Conditions met - transferred to Revenue: Capital Expenses	14 062 799	12 320 051
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(8 746 350)</u>	<u>(2 100 935)</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

28.7 National: MSIG Fund

Balance unspent at beginning of year	(548 355)	(234 355)
Current year receipts	(800 000)	(734 000)
Conditions met - transferred to Revenue: Operating Expenses	1 135 729	420 000
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(212 626)</u>	<u>(548 355)</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

28.8 National - Department of Mineral and Energy

Balance unspent at beginning of year	-	-
Current year receipts	(3 224 000)	-
Interest allocated	(61 483)	-
Conditions met - transferred to Revenue: Capital Expenses	4 157 785	-
Conditions still to be met - transferred to Current Assets (see Note 4)	<u>872 302</u>	<u>-</u>

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

28.9 National - National Treasury

Balance unspent at beginning of year	-	-
Current year receipts	(2 980 183)	-
Conditions met - transferred to Revenue: Operating Expenses	2 382 759	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(597 424)</u>	<u>-</u>

Expenses were incurred to connect houses to the electricity network of the municipality. No funds have been transferred to the municipality.

28.10 Provincial: Treasury

Balance unspent at beginning of year	(22 697 842)	(1 236 482)
Current year receipts	-	(21 912 844)
Interest allocated	(1 929 313)	(91 236)
Conditions met - transferred to Revenue: Operating Expenses	4 853 606	68 080
Conditions met - transferred to Revenue: Capital Expenses	5 551 999	474 640
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(14 221 550)</u>	<u>(22 697 842)</u>

This grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as agent for the implementation of the plan. No funds have been withheld.



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28.11 Provincial: Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	-	-
Current year receipts	(4 500 000)	-
Conditions met - transferred to Revenue: Capital Expenses	44 092	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(4 455 908)</u>	<u>-</u>

The municipality received plant and equipment for the Nature Reserve

28.13 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)

Balance unspent at beginning of year	(11 781 249)	(15 797 562)
Interest allocated	(696 239)	(1 276 078)
Conditions met - transferred to Revenue: Capital Expenses	11 817 153	5 292 391
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(660 335)</u>	<u>(11 781 249)</u>

This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.

28.14 Local Government - Local Municipality

Balance unspent at beginning of year	(7 000 053)	(10 320 307)
Conditions met - transferred to Revenue: Capital Expenses	3 518 214	3 320 254
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(3 481 839)</u>	<u>(7 000 053)</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

28.15 Other Government

Balance unspent at beginning of year	(2 244 992)	(3 133 973)
Current year receipts	(133 919)	(233 603)
Interest allocated	(95)	(65 390)
Conditions met - transferred to Revenue: Operating Expenses	203 912	891 095
Conditions met - transferred to Revenue: Capital Expenses	457 353	296 879
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(1 717 741)</u>	<u>(2 244 992)</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

28.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.

29. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	50 000	113 722
Total Public Contributions and Donations	<u>50 000</u>	<u>113 722</u>

29.1 Reconciliation of Conditional Public Contributions and Donations

Balance unspent at beginning of year	-	-
Current year receipts	(50 000)	(113 722)
Conditions met - transferred to Revenue: Operating Expenses	50 000	-
Other Transfers	-	113 722
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

A public donation was received to help the victims of the bus accident (R50 000)

In 2008, the municipality received plant and equipment for the Nature Reserve.



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30. OTHER INCOME

Pool fees	21 005	564
Building plans	108 064	38 131
Building exemption certificates	5 622	2 588
Rates certificates	5 368	3 043
Driveway hardening	1 977	3 961
Tender documents	154 701	0
Cemetery fees	56 818	65 848
Pound fees	159 611	83 468
Lost books	-	111
Photo copies	437	124
Cattle sales	2 019	232
SARS - VAT Refund	490 212	-
Housing Income	626	-
Nature Reserve income	-	40 000
Nature Reserve camping	123	-
Nature Reserve chalets	14 553	-
Nature Reserve Annuallic	13 816	-
Nature Reserve Daily fishing	6 623	-
Sundry services	33 544	76 921
Wood sales	461	-
Service connections	131 836	38 417
Electricity connections	242 795	327 376
Total Other Income	1 450 208	680 781
Attributable to:		
Continuing Operations	1 450 208	680 781
	1 450 208	680 781

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.



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31. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	16 370 574	11 952 687
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	2 691 329	2 345 680
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 243 586	937 971
Housing Benefits and Allowances	378 738	340 909
Overtime Payments	678 013	446 017
Performance Bonuses	619 022	641 359
Staff leave	589 620	509 436
Defined Benefit Plan Expense:	1 496 171	233 305
Current Service Cost	1 496 171	233 305

Total Employee Related Costs	24 067 054	17 407 364
		(0.20)

Attributable to:		
Continuing Operations	24 067 054	17 407 364
	24 067 054	17 407 364

Remuneration of the Municipal Manager

Annual Remuneration	569 118	559 614
Car Allowance	120 000	120 000
Company Contributions to UIF, Medical and Pension Funds	102 954	41 714
Total	792 072	721 328

The Municipal Manager was placed on precautionary suspension with effect from 1 September 2008, and his position was vacated on 31 December 2008. The Chief Financial Officer was appointed Acting Municipal Manager as well as Acting General Manager: Community Services with effect from 1 September 2008.

Remuneration of the Chief Financial Officer

Annual Remuneration	435 234	526 875
Performance Bonus	-	34 183
Car Allowance	120 698	100 879
Company Contributions to UIF, Medical and Pension Funds	126 130	55 124
Total	682 062	717 061

Remuneration of the Director: Corporate Services

Annual Remuneration	494 045	359 040
Car Allowance	165 010	137 920
Company Contributions to UIF, Medical and Pension Funds	-	51 562
Total	659 055	548 522

Remuneration of the Strategic Manager

Annual Remuneration	449 206	469 465
Car Allowance	152 000	120 000
Company Contributions to UIF, Medical and Pension Funds	80 857	31 864
Total	682 063	621 329

Remuneration of the EDP Manager

Annual Remuneration	437 339	272 204
Car Allowance	144 000	60 000
Company Contributions to UIF, Medical and Pension Funds	78 721	17 796
Total	660 060	350 000

Remuneration of the Infrastructure Manager

Annual Remuneration	510 060	262 500
Car Allowance	150 000	87 500
Total	660 060	350 000

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	-	50 808
Chief Financial Officer	63 341	26 052
Director: Corporate Services	81 632	35 955
Strategic Manager	-	31 855
EDP Manager	5 850	-
Infrastructure Manager	81 778	41 055
Total	232 601	185 725



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32. REMUNERATION OF COUNCILLORS

Executive Mayor	518 700	467 300
Councillors	7 777 453	7 403 498
Allowances allocated to Employee Related Costs in General Ledger	1 466 615	1 075 273

Total Councillors' Remuneration	9 762 768	8 946 071
--	------------------	------------------

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.

The Executive Mayor has two full-time bodyguards.

33. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	-	-
Amortisation: Intangible Assets	-	-
Depreciation: Investment Property	-	-

Total Depreciation and Amortisation	-	-
--	----------	----------

Attributable to:

Continuing Operations	-	-
Discontinued Operations	-	-

34. IMPAIRMENT LOSSES

34.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-

Impairment Losses Reversed:

Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-

34.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Long-term Receivables	6 991 898	2 801 420
Consumer Debtors	-	-
Other Debtors	6 902 459	2 801 420
Investments	89 440	-
Loans carried at Amortised Cost	-	-

Impairment Losses Reversed:

Long-term Receivables	-	-
Consumer Debtors	-	-
Other Debtors	-	-
Investments	-	-
Loans carried at Amortised Cost	-	-

Total Impairment Losses

Total Impairment Losses	6 991 898	2 801 420
--------------------------------	------------------	------------------

Attributable to:

Continuing Operations	6 991 898	2 801 420
	6 991 898	2 801 420



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35. FINANCE COSTS

Loans and Payables at amortised cost	84 397	126 300
Finance Leases	24 666	52 314
Bank Overdrafts	102	-
Other	46 224	81 612
Total Interest Expense	155 389	260 227
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	155 389	260 227
Attributable to:		
Continuing Operations	155 389	260 227
	155 389	260 227

The weighted average capitalisation rate on funds borrowed generally is 15,29% per annum (2008: 15,24% per annum).

36. BULK PURCHASES

Electricity	8 899 732	6 293 431
Total Bulk Purchases	8 899 732	6 293 431

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. Water is supplied directly to residents and businesses by the District Municipality.

37. GRANTS AND SUBSIDIES PAID

FBS Electricity	231 083	154 293
FBS Electricity prev YR	1 085 003	85 871
FBS Refuse	38 458	194 056
FBS Refuse prev YR	196 296	133 214
Landfill Site management	1 421 121	-
New IDP 2007-10	177 427	-
Office Rental	339 992	35 979
Valuation	83 708	-
MDF 06/07 Performance management	21 446	31 051
MDF 06/07 by laws	17 703	-
MDF 06/07 ASSET REGISTER	119 351	1 050
MDF 06/07 Policies	117 285	-
MFMA Grant 06/07	-	100 000
Transformation Fund 06/07	-	49 628
CDW Grant 06/07	3 028	13 851
Capacity building 06/07	2 000	234 707
IDP Fund 06/07	10 300	116 038
Master Lease Programme	-	291 000
Est Plan: Cederville	180 100	-
Write off Maluti arrears	2 000 000	-
Organisational structure	103 950	-
MSIG Prev yrs	548 354	-
FMG Prev yrs	6 041	-
Bus accident fund	50 000	-
Lotto sportsfield	34 768	-
Nat & Prov elections	1 079 294	-
Roads upgrade elec	1 149 446	-
Est plan:maint bldgs	1 692 644	-
FMG 07/08	393 636	493 958
Asset register 07/08	10 200	250 000
Revenue enhancement	311 300	170 000
MSIG Ward com 07/08	265 875	-
Total Grants and Subsidies	11 689 810	2 354 695



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38. GENERAL EXPENSES

Advertising	278 287	229 063
Audit fees	1 557 413	1 152 113
Bank charges	111 174	89 696
Cartage and railage	8 580	5 056
Chemicals	27 376	32 006
Conferences	68 791	121 383
Consulting fees	568 975	243 647
Contingencies	1 346	15 992
Delegates expenses	1 416 229	1 849 517
Electricity and water	83 311	84 994
Feed	17 347	17 594
Fruitless and Wasteful Expenditure	1 200 000	-
Fuel and oil	489 618	225 208
Public entertainment	648 679	385 673
Mayoral Assistance Fund	3 894	241 368
Insurance	380 359	232 595
Legal fees	79 096	181 952
Photo copies	29 321	52 806
Plant hire	12 526	24 530
Postage	46 781	53 584
Printing, stationary & publications	345 905	438 701
Rentals	38 846	48 314
Resealing	102 652	82 347
Skills development	347 522	373 070
Stores and material	209 573	79 596
Subscriptions	163 088	8 888
Motor vehicle registration fees	10 443	4 702
Service connections	269 987	161 732
Telephones	760 492	504 523
Uniforms	175 705	80 952
Town planning	67 500	-
Valuations	102 782	93 837
Total General Expenses	9 623 600	7 115 438

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

38.1 Material Losses

	294 250	-
Vehicle Damages	49 198	
Transformer blew up	245 052	

All the above cases were claimed against the insurance company of the municipality.

39. OTHER GAINS AND LOSSES

There were no other gains and losses reported.

40. CHANGE IN ACCOUNTING POLICY

The municipality reclassified its Capital Replacement Reserve, Government Grant Reserve, Donations and Public Contribution Reserve, Capitalisation Reserve and Self Insurance Reserve to its Accumulated Surplus as these reserves are not allowed in terms of GRAP or specific legislation. Prior year figures were adjusted accordingly.

	Previously reported 2008	Amount of correction 2008	Restated 2008
Net Assets			
Capital Replacement Reserve	7 760 012	-7 760 012	-
Capitalisation Reserve	8 868 539	-8 868 539	-
Government Grant Reserve	78 644 471	-78 644 471	-
Accumulated Surplus	40 039 657	95 273 022	135 312 679



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41. CORRECTION OF ERROR

During the 2008/2009 financial period a number of errors occurred, which are set out below:

41.1 Appropriations to the Accumulated Surplus Account

Unappropriated Surplus Account:

Corrections to Stock	(28 879)	-
Corrections to Income	(4 052 740)	-
Correction to Revaluation Reserve	(2 595 683)	-
Correction to Capitalisation Reserve	-	-
Correction to Government Grant Reserve	5 347	1 347 015
Correction to Accumulated Surplus	9 253 880	(2 147 569)
Unbundling of Funds and Reserves in term of GAMAP	-	-
Increase / (Decrease) in Unappropriated Surplus Account	2 581 925	(800 554)

Government Grants Reserve:

Interest reversed from Government Grant Reserve	-	-
---	---	---

Increase / (Decrease) in Government Grant Reserve

Increase / (Decrease) in Accumulated Surplus Account	2 581 925	(800 554)
	(6 677 302.00)	

41.2 Reclassification of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2007/2008 Fin Position	2008/2009 Fin Position	Restated Amount
Non-current assets:			
Long-term receivables	35 467	-	35 467
Current assets:			
Other Debtors	6 932 637	6 968 104	(35 467)
	6 968 104	6 968 104	0

41.3.1 Depreciation expense reversed due to requirements of Circular 4 not adhered to

requirements of Circular 4 that are not adhered to.

The effect of the Correction of Error is as follows:

	Previously reported Fin position	Amount of correction Fin position	Restated Amount
Net assets:			
Revaluation Reserve	17 283 969	3 596 869	20 880 838
Accumulated Surplus	90 514 551	18 137 331	108 651 882
	107 798 520	21 734 200	129 532 720

41.3.2 Correction of error comprises the following amounts:

Revaluation Reserve

Up to year ended 30 June 2007	3 080 433
Year ended 30 June 2008	516 436
	3 596 869

Accumulated Surplus

Up to year ended 30 June 2007	14 491 144
Year ended 30 June 2008	3 646 187
	18 137 331



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42. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	56 527 225	45 120 752
Adjustment for:		
Correction of prior year Error	9 259 227	(800 554)
Depreciation and Amortisation written back	39 099 018	5 833 175
Impairment Losses on Property, Plant and Equipment	-	-
Gains on Disposal of Property, Plant and Equipment	(32 100)	-
Gains on Disposal of Investment Property	(36 000)	-
Other Movement on Property, Plant and Equipment	644 438	(133 006)
Other Movement on Intangible Assets	-	-
Other Movement on Revaluation Fund	-	(54 955)
Contribution to Retirement Benefit Liabilities	968 204	115 016
Contribution to Provisions - Current	263 601	-
Contribution to Housing Fund	-	-
Contribution to Non Current Provisions	264 366	74 723
Expenditure incurred from Provisions	-	(41 891)
Contribution to Impairment Provision	-	-
Bad Debts Written-off	-	-
Investment Income	(6 506 449)	(4 758 321)
Finance Costs	155 389	260 227
Operating surplus before working capital changes	100 606 918	45 615 166
(Increase)/Decrease in Inventories	200 840	(204 023)
(Increase)/Decrease in Consumer Debtors	2 432 634	(3 714 982)
(Increase)/Decrease in Other Debtors	(3 252 826)	(4 840 000)
(Increase)/Decrease in VAT Receivable	(5 779 200)	2 614 882
Increase/(Decrease) in Consumer Deposits	(10 771)	(35 331)
Increase/(Decrease) in Creditors	1 004 418	1 621 909
Increase/(Decrease) in Conditional Grants and Receipts	(14 656 141)	16 073 289
Increase/(Decrease) in VAT Payable	895 493	(553 254)
Increase/(Decrease) in Operating Lease Liabilities	21 411	-
Cash generated by / (utilised in) Operations	81 462 776	56 577 656

43. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2008/2009 financial year, the municipality acquired R209 870 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 4)	728 913	1 167 330
Used to finance Property, Plant and Equipment - at cost	(728 913)	(1 167 330)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Note 6)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Loan repayments are financed through the operating account.



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46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	168 914	158 485
Amount Paid - current year	(168 914)	(158 485)

Balance Unpaid (included in Creditors)

-	-
---	---

46.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 435 511	1 152 113
Amount Paid - current year	(1 435 511)	(1 152 113)

Balance Unpaid (included in Creditors)

-	-
---	---

46.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Notes 5 and 15. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 411 334	2 167 610
Amount Paid - current year	(5 411 334)	(2 167 610)

Balance Unpaid (included in Creditors)

-	-
---	---

46.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 793 659	3 997 296
Amount Paid - current year	(5 793 659)	(3 997 296)

Balance Unpaid (included in Creditors)

-	-
---	---

46.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
GEBASHE	2 020	339	1 681
MCELELI	4 474	165	4 309
MZIMKULU	317	125	192
GCABO	238	185	53
MAARTENS	522	522	-
MAHEM	327	327	-
MAKASHANE	334	44	289
MTSHONISWA	44	44	-
NKOPANE	911	570	341
Total Councillor Arrear Consumer Accounts	9 187	2 322	6 866

30 June 2008	Total	Outstanding up to 90 days	Outstanding more than 90 days
GEBASHE	-	-	-
MCELELI	2 020	241	1 779
MZIMKULU	4 474	125	4 349
GCABO	317	125	192
MAARTENS	239	186	53
MAHEM	522	522	-
MAKASHANE	327	327	-
MTSHONISWA	334	44	289
NKOPANE	20	20	-
	911	408	503
Total Councillor Arrear Consumer Accounts	9 164	1 998	7 166

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2009	Highest amount outstanding	Ageing
MCELELI	4 309	> 90 Days
GEBASHE	1 681	> 90 Days
NKOPANE	341	> 90 Days
NKOPANE	289	> 90 Days
MAKASHANE	192	> 90 Days
GCABO	53	> 90 Days



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46.7 Non-Compliance with the Municipal Finance Management Act:

The municipality in the following cases did not comply with the MFMA:

Section 62(1)(c)(i)	<p>Section 62(1)(c)(i) states that "the municipality has and maintain effective, efficient and transparent systems of financial and risk management control":</p> <p>The municipality did not have the following:</p> <ol style="list-style-type: none"> 1. A risk management policy for the entire year as it was only approved on 26 June 2009. 2. A risk committee 3. Formal risk assessments were not performed on a regular basis.
Section 62(1)(c)	<p>The accounting officer has a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities. The assessment of these are as follows:</p> <ol style="list-style-type: none"> 1. The municipality had a shared audit committee which was not effectively operational throughout the year. 2. The audit committee did not operate in accordance with written terms of reference as these were only approved on 9 June 2009. 3. The municipality had an outsourced internal audit function which was not operational throughout the year. 4. The internal audit function did not operate in terms of an internal audit plan as it was only approved on 19 June 2009.
Section 65(2)(e)	<p>The municipality did not in all instances pay suppliers within 30 days of receiving the relevant invoice of statement.</p>

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations were noted in terms of section 20(C) and (e) and regulation 7(1), 5 (3), 16 (2) and 17 (d) of the SCM Policy.

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

Other

52 217 949	59 400 475
45 973 639	21 586 075
420 710	27 443 300
5 823 600	10 371 100

- Approved but Not Yet Contracted for:-

Infrastructure

20 000 000	20 000 000
20 000 000	20 000 000

Total Capital Commitments

72 217 949	79 400 475
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This expenditure will be financed from:

External Loans

Capital Replacement Reserve

Government Grants

20 000 000	20 000 000
4 350 078	2 087 298
47 867 871	57 313 177
72 217 949	79 400 475

47.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 17 and 21.



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48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows
(FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Fixed Deposits	Held to maturity	4 014 509	3 495 296
Consumer Debtors			
Assessment Rates	Loans and receivables	1 017 368	186 803
Electricity	Loans and receivables	1 961 772	5 169 757
Refuse	Loans and receivables	427 272	482 486
Other Debtors			
Health Subsidy control	Loans and receivables	782 884	684 072
Sundry Debtors Control	Loans and receivables	-	95
Housing debtors	Loans and receivables	35 467	35 681
Insurance Debtors	Loans and receivables	3 997	5 271
Suspense Acc	Loans and receivables	111 392	109 820
Sisonke District Mun	Loans and receivables	524 619	524 619
Debtors Interest	Loans and receivables	141 584	313 405
Lu Framework DBSA	Loans and receivables	211 405	-
DME Electricity	Loans and receivables	872 302	-
Pre-paid expenses	Loans and receivables	105 309	-
VAT Receivable			
VAT Control Accounts	Loans and receivables	6 019 609	240 409
Bank,Cash and Cash Equivalents			
Short-term Portion of Investments	Held to maturity	50 309 760	68 154 439
Bank Balances	Available for sale	142 446	90 641
		<u>66 681 696</u>	<u>79 492 793</u>
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	4 014 509	3 495 296
Short-term Investment Deposits	Short-term Portion of Investments	50 309 760	68 154 439
		<u>54 324 269</u>	<u>71 649 735</u>
Loans and Receivables			
Consumer Debtors	Assessment Rates	1 017 368	186 803
Consumer Debtors	Electricity	1 961 772	5 169 757
Consumer Debtors	Refuse	427 272	482 486
Other Debtors	Health Subsidy control	782 884	684 072
Other Debtors	Sundry Debtors Control	-	95
Other Debtors	Housing debtors	35 467	35 681
Other Debtors	Insurance Debtors	3 997	5 271
Other Debtors	Suspense Acc	111 392	109 820
Other Debtors	Sisonke District Mun	524 619	524 619
Other Debtors	Debtors Interest	141 584	313 405
Other Debtors	Lu Framework DBSA	211 405	-
Other Debtors	DME Electricity	872 302	-
Other Debtors	Pre-paid expenses	105 309	-
VAT Receivable	VAT Control Accounts	6 019 609	240 409
		<u>12 214 981</u>	<u>7 752 417</u>
Available for Sale:			
Bank Balances and Cash	Bank Balances	142 446	90 641
		<u>142 446</u>	<u>90 641</u>
Total Financial Assets		<u>66 681 696</u>	<u>79 492 793</u>



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FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows
(FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	453 969	817 923
Other Loans	Financial liabilities at amortised cost	510 384	539 421
Consumer Deposits			
Electricity	Financial liabilities at amortised cost	299 919	310 689
Creditors			
Trade Creditors	Financial liabilities at amortised cost	4 008 013	3 626 740
Payments received in Advance	Financial liabilities at amortised cost	565 160	583 356
Retentions	Financial liabilities at amortised cost	1 896 883	1 949 669
Staff Bonuses	Financial liabilities at amortised cost	1 607 118	1 092 549
Sundry Deposits	Financial liabilities at amortised cost	104 701	315 686
Other Creditors	Financial liabilities at amortised cost	469 223	365 812
Unspent Conditional Grants and Receipts			
National Government Grants	Financial liabilities at amortised cost	9 662 765	5 132 145
Provincial Government Grants	Financial liabilities at amortised cost	19 337 793	34 479 086
Local Government Grants	Financial liabilities at amortised cost	3 481 839	7 000 054
Other Spheres of Government	Financial liabilities at amortised cost	1 717 741	2 244 994
VAT Payable			
VAT Control Accounts	Financial liabilities at amortised cost	895 493	-
Operating Lease Liabilities			
Operating Lease Liabilities / Payables	Financial liabilities at amortised cost	21 411	-
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	(1 356 596)	(617 333)
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	(176 931)	(267 821)
Other Loans	Financial liabilities at amortised cost	(255 192)	-
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	453 969	817 923
Long-term Liabilities	Other Loans	510 384	539 421
Consumer Deposits	Electricity and Water	299 919	310 689
Creditors	Trade Creditors	4 008 013	3 626 740
Creditors	Payments received in Advance	565 160	583 356
Creditors	Retentions	1 896 883	1 949 669
Creditors	Staff Bonuses	1 607 118	1 092 549
Creditors	Sundry Deposits	104 701	315 686
Creditors	Other Creditors	469 223	365 812
Unspent Conditional Grants and Receipts	National Government Grants	9 662 765	5 132 145
Unspent Conditional Grants and Receipts	Provincial Government Grants	19 337 793	34 479 086
Unspent Conditional Grants and Receipts	Local Government Grants	3 481 839	7 000 054
Unspent Conditional Grants and Receipts	Other Spheres of Government	1 717 741	2 244 994
VAT Payable	VAT Control Accounts	895 493	-
Operating Lease Liability	Operating Lease Liability	21 411	-
Bank Overdraft	Bank Overdraft	(1 356 596)	(617 333)
Current Portion of Long-term Liabilities	Annuity Loans	(176 931)	(267 821)
Current Portion of Long-term Liabilities	Other Loans	(255 192)	-
		43 243 691	57 572 969
Total Financial Liabilities		43 243 691	57 572 969



Matatiele Local Municipality Annual Report 2008/2009

48.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

	30 June 2009		30 June 2008	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	54 324 269	54 324 269	71 649 735	71 649 735
Fixed Deposits	4 014 509	4 014 509	3 495 296	3 495 296
Short-term Portion of Investments	50 309 760	50 309 760	68 154 439	68 154 439
Loans and Receivables	12 214 981	12 214 981	7 752 417	7 752 417
Consumer Debtors	3 406 412	3 406 412	5 839 046	5 839 046
Other Debtors	2 788 960	2 788 960	1 672 962	1 672 962
VAT Receivable	6 019 609	6 019 609	240 409	240 409
Available for Sale	142 446	142 446	90 641	90 641
Bank Balances and Cash	142 446	142 446	90 641	90 641
Total Financial Assets	66 681 696	66 681 696	79 492 793	79 492 793
	30 June 2009		30 June 2008	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	43 243 691	43 243 691	57 572 969	57 572 969
Unsecured Bank Facilities:	(392 243)	(392 243)	740 011	740 011
- Annuity Loans	453 969	453 969	817 923	817 923
- Other Loans	510 384	510 384	539 421	539 421
- Bank Overdraft	(1 356 596)	(1 356 596)	(617 333)	(617 333)
Trade and Other Payables:	43 635 935	43 635 935	56 832 959	56 832 959
- Consumer Deposits	299 919	299 919	310 689	310 689
- Creditors	8 651 097	8 651 097	7 933 812	7 933 812
- Unspent Conditional Grants	34 200 138	34 200 138	48 856 279	48 856 279
- VAT Payable	895 493	895 493	-	-
- Operating Lease Liabilities	21 411	21 411	-	-
- Current Portion of Long-term Liabilities	(432 123)	(432 123)	(267 821)	(267 821)
Total Financial Liabilities	43 243 691	43 243 691	57 572 969	57 572 969
Total Financial Instruments	23 438 004	23 438 004	21 919 824	21 919 824

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 6 and 10, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

Gearing Ratio

	2009 R	2008 R
The gearing ratio at the year-end was as follows:		
Debt	(824 366)	472 190
Bank, Cash and Cash Equivalents	142 446	90 641
Net Debt	(681 921)	562 831
Equity	209 216 637	156 929 277
Net debt to equity ratio	-0.33%	0.36%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 17.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.



48.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

48.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 52.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.



MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48. FINANCIAL INSTRUMENTS (Continued)**48.7 Effective Interest Rates and Repricing Analysis**

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	2 - 5 Years	More than 5 Years
	#	%		R
FIXED RATE INSTRUMENTS				
Held-to-maturity Investments	15		-	-
Fixed Deposits			-	-
Unsecured Bank Facilities	4		-	-
DBSA		16,72%	-	-
DBSA		17,55%	-	-
Total Fixed Rate Instruments			-	-
VARIABLE RATE INSTRUMENTS				
Short-term Investment Deposits	21		-	-
Bank Balances and Cash	22		-	-
Total Fixed Rate Instruments			-	-

30 June 2008

Description	Note ref in AFS	Average effective Interest Rate	2 - 5 Years	More than 5 Years
	#	%		R
FIXED RATE INSTRUMENTS				
Held-to-maturity Investments	15		-	-
Fixed Deposits			-	-
Unsecured Bank Facilities	4		-	-
DBSA		16,72%	-	-
DBSA		17,55%	-	-
Total Fixed Rate Instruments			-	-
VARIABLE RATE INSTRUMENTS				
Short-term Investment Deposits	21		-	-
Bank Balances and Cash	22		-	-
Total Fixed Rate Instruments			-	-

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**MATATIELE LOCAL MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**2009
R2008
R**48. FINANCIAL INSTRUMENTS (Continued)****48.10 Credit Risk Management**

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and Location	30 June 2007	
	Credit Limit	Carrying Amount
	R	R
Alfred Nzo District Municipality	-	-
Taylor Bequest Hospital	-	-
Ingwe FET College	-	-
Dept. of Welfare	-	-
Khotsong TB Hospital	-	-

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:



Matatiele Local Municipality Annual Report 2008/2009

	2009 R	2008 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	4 014 509	3 495 296
Consumer Debtors	3 406 412	5 839 046
Other Debtors	10 221 143	6 968 317
Bank, Cash and Cash Equivalents	50 452 206	68 245 080
Maximum Credit and Interest Risk Exposure	68 094 270	84 547 740
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Consumer Debtors		
Counterparties with external credit rating:-		
None	-	-
	-	-
Counterparties without external credit rating:-		
All consumer debtors	12 158 902	5 839 046
	12 158 902	5 839 046
Total Consumer Debtors	12 158 902	5 839 046
Other Debtors		
Investments	4 014 509	3 495 296
Total Other Debtors	4 014 509	3 495 296
Bank Balances		
Standard Bank Matatiele	143 934	89 775
First National Bank	4 038 945	174 043
Total Bank Balances	4 182 879	263 818



49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans, whereas the other funds

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognised in the Statement of Financial Performance of R2 981 532 (2008: R2 446 646) represents

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General Notice 522 of

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the

No further details could be provided for after the last valuation, being 30 June 2005.

Natal Joint Municipal Pension Fund:

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31

Fund options	Member
Super	9.25%
Retirement A	8.65%
Surcharge	,65
Retirement B	7.00%
Provident	5.00%
Provident	7.00%
Provident	9,25%

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million,

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

Municipal Employees Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

SALA Pension Fund:

The 1 July 2007 actuarial valuation of the SALA Pension Fund indicated a funding percentage of 110%. The valuator

A contribution rate is paid by the members (8,60%) and municipalities (20,78%).

South African Municipal Workers Union National Provident Fund:

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

None of the above mentioned plans are State Plans.



51. CONTINGENT LIABILITIES

Former Speaker

Council at its meeting held on 18 December 2008 resolved to remove the Speaker from office and elect a new Speaker. The former Speaker became a part-time Councillor and was remunerated as such and the new Speaker remunerated as a full time Speaker.

The former Speaker is of the opinion that she was removed unprocedurally and has instituted legal action against Council and is claiming the difference between the two salaries amounting to R140 000.

Forensic Audit

A forensic audit firm was appointed to conduct a forensic audit of 3 contracts awarded where the final product delivered by the contractors allegedly differs substantially from that which the contracts required and where the payments made are significantly higher than the tender amount.

Strategic Manager

The strategic manager resigned with effect from 31 March 2009. Subsequent to her resignation, she is claiming that her resignation was not voluntary, but as a result of her job description being amended without proper consultation. She is claiming that she be compensated for the remaining period of her contract amounting to R2 064 600.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2008/2009.

56. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2009.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and Prior Period Errors (Note 41).

58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.



AUDITOR - GENERAL

REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF MATATIELE MUNICIPALITY ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MATATIELE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Matatiele Local Municipality which comprise the Statement of Financial Position as at 30 June 2009, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages xxx to xxx.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

APPENDIX E(2)					
MATATIELE LOCAL MUNICIPALITY					
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009					
Description	2008/2009 Actual	2008/2009 Total Additions	2008/2009 Budget	2008/2009 Variance R	2008/2009 Variance %
	R	R	R	R	%
Community Services	30,087,779	24,831,108	38,510,406	(13,679,298)	(35.52)
Corporate Services	1,686,226	19,687	1,430,000	(1,410,313)	(98.62)
Economic Development & Planning	6,325,602	327,205	5,273,599	(4,946,394)	(93.80)
Executive & Council	697,314	1,540,410	3,364,100	(1,823,690)	(54.21)
Finance & Administration	33,044,783	550,251	1,562,699	(1,012,448)	(64.79)
Infrastructure	61,931,743	26,335,582	54,853,065	(28,517,483)	(51.99)
Total	133,773,447	53,604,243	104,993,869	(51,389,626)	(48.95)
Explanation of Significant Variances greater than 5% versus Budget					
Savings realised on projects / Projects did not materialise					
Expenditure incurred in Operational Budget					
Projects were not executed					
Projects were not executed					
Projects approved late in financial year and was carried over to 2008/9					
Due to the fact that a loan included in the budget of R20m that was not approved.					

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by Matatiele Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of Matatiele Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Generally Recognised Accounting Practice and in the manner required by the MFMA.

Emphasis of Matters

9. Without qualifying my audit opinion, I draw attention to the following matters.

Restatement of Corresponding Figures

10. As disclosed in note 23 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of changes in accounting policies during the 30 June 2009 financial year in the financial statements of Matatiele Local Municipality.

Other matters

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

11. The supplementary information set out on pages XX to XX do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

12. There is no official logbook kept for the mayoral vehicle of the municipality and on review of the driver's diary, trips to the mayor's residence were noted but because of the limited information given in the diary I was not able to determine official and private trips for the Mayor. This could lead to contravention of section 167(2) of the MFMA.



13. The accounting officer of the Matatiele Local Municipality has failed to submit annual financial statements for the financial year ended 30 June 2009 within the specified period of two months after year end as required by section 126(1) of the MFMA.
14. The municipality did not have an approved banking policy during the current financial year as required by section 13 (2) of the MFMA, and reconciling items were not cleared timeously in the bank reconciliations as required by section 65(2) (j) of the MFMA.
15. As required by section 52(b) & (d) of the MFMA the Mayor may in providing such general political guidance monitor, oversee the exercise of responsibilities in terms of this act to the accounting officer and the chief financial officer must within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and financial state of affairs of the municipality. The following documents could not be provided for audit purposes:
 - Action taken by the Mayor to ensure that the post of the accounting officer was filled as the CFO has been an acting municipal manager for more than a year (i.e. 30 September 2008 – 30 November 2009).
 - Reasonable steps to ensure that annual performance agreements as required by section 57(1) of the MSA for the municipal manager and all senior managers were approved and signed by the accounting officer and other section 57 managers.
16. Non-compliance with section 62(1) (c) of the Municipal Finance Management Act (No. 56 of 2003) has been detected. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:
 - The municipality had a shared audit committee but was not operational throughout the financial year.
 - The municipality had an outsourced internal audit function from 19 June 2009 and was therefore not in operation during 2008/2009 financial year.
17. Section 63 (1)(a) and (2)(a) of the Municipal Finance Management Act, (Act No. 56 of 2003) states that the accounting officer is responsible for the management of the assets of the municipality including the safeguarding and the maintenance of those assets; and must for this purpose take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality.

As previously reported, the Fixed Asset Management Policy which was used by the Municipality had no evidence that it had been approved by the Council during the period under review.
18. Formal and written delegations made by the mayor, the accounting officer and the chief financial officer as required by sections 59(1), 79 and 82 of the Municipal Finance Management Act, No. 56 of 2003 respectively, could not be produced for audit purposes.
19. Section 132(1) and (2) of the Municipal Finance Management Act, No. 56 of 2003 states that, the following documents must be submitted to the provincial legislature:
 - The annual report of each municipality and each municipal entity in the province, or if only components of an annual report were tabled in terms of section 127(3), those components; and
 - all oversight reports on those annual reports adopted in terms of section 129(1).

The accounting officer of a municipality must submit the documents referred to in subsection (1)(a) and (b) to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report in terms of section 129(1).



No evidence has been obtained to confirm that the accounting officer submitted to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report.)

20. Section 44 of the Municipal Finance Management Act (No.56 of 2003) states that; whenever a dispute of a financial nature arises between organs of state, the parties concerned must as promptly as possible take all reasonable steps that may be necessary to resolve the matter out of court and that if the National is not a party to the dispute, the parties must report the matter to National Treasury."

Included in the creditors' balance is an amount of R 1,896,883.19 being monies due to Alfred Nzo district municipality in respect of water and sanitation services. This amount has not been paid over due to an uncertain claim of loan amount by the municipality on behalf of the district municipality. Evidence of service agreement by both municipalities in respect of these services could not be provided. A response from the previous audit report paragraph states that "The amount owed to Alfred Nzo had been paid off against money owed by them for outstanding services and loan repayments.

This has not been done and no correspondence between the two municipalities could be provided and that National Treasury has been advised as required in terms of the above section.

21. The municipality did not submit a report for the quarter ending 30 June 2009 on the implementation of the budget as required in terms of section 52 (b) & (d) of the Municipal Finance Management Act, and the financial state of affairs of the municipality was also not submitted to the Council within 30 days.
22. During the audit of Creditors, it was noted that the Municipality does not pay its suppliers within 30 days of receiving the relevant invoice as required in terms of Section 65 (1) and (2) of the Municipal Finance Management Act, Act 56 of 2003.
23. Circular No.34 states that the municipality/municipal entity must submit a separate report for each contract awarded (and signed) above R100 000 to National Treasury within 15 days of the end of the month. However through inquiry and inspection of supporting documentation of some contracts that were awarded and which are above R100 000, it was noted that the municipality did not send reports to National Treasury for contracts amounting to R374 041.
24. No training was given to the evaluation committee members during the current year under review for them to meet the prescribed competency levels as required by section 119(2) of the MFMA.
25. Section 62 (1) (c) (i) of the Municipal Finance Management Act states that "the municipality has and maintain effective, efficient and transparent systems-of financial and risk management control"

As was reported in the previous audit, the municipality did not have a risk management policy up to 25 June 2009, but later approved one on 26 June 2009, a risk committee and formal risk assessment was not performed on a regular basis.

Municipal Systems Act

26. The annual report, service delivery agreements, long term borrowing costs; all supply chain management contracts above a prescribed value, an information statement containing a list of assets above a prescribed value that have been disposed of and all quarterly reports tabled in the Council in terms of section 52 (d) have not been placed in the municipality's website as required by section 75 (1).
27. There were no performance agreements or contracts for the municipal manager and other section 57 managers as required by section 57(1) of the MSA.
28. The municipality does not have a fraud prevention plan as required by section 6 (2) of the MSA.

**Municipal Property Act**

29. The interim valuations were not made by the municipality during the year under review although there were improvements made in some properties. This is contrary to section 77 of the Municipal Property Act which states that a municipality must regularly, but at least once a year, update its valuation roll.

Other non-compliance**Key governance responsibilities**

30. The Municipal Finance Management Act tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	✓	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.		✓
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		✓
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		✓
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section		✓



No.	Matter	Y	N
	62(c)(i)/95(c)(i) of the MFMA.		
12.	Delegations of responsibility are in place, as set out in section 79/106 of the MFMA.		✓
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Matatiele Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA.		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

31. The annual report has not been submitted for consideration prior to the audit report being signed as the Municipality is still in the process of preparing the annual report.
32. The Annual Financial Statements were submitted on 30 September 2009, due to failure or crash of the municipality's financial system, this led to delays on the audit.
33. The audit committee was ineffective in the performance of its duties in terms of its mandate. The municipality's council only decided in December 2008 to have a shared audit committee with the district municipality, Alfred Nzo, the audit committee therefore only became effective in the last half of the financial year having their first meeting only in March 2009. This resulted in only approving the Internal Audit Charter only on the 30th June 2009, therefore; the internal audit department of the municipality did not function throughout the year either.
34. The Internal Audit function was ineffective in performance of its duties in terms of the Internal Audit Charter as it was only approved at year end.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Performance Information

35. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the Performance Information

36. In terms of section 121(3)(c) of the MFMA, the Annual Report of a municipality must include the Annual Performance Report of the Municipality, prepared by the Municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

37. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.



38. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the Performance Information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
39. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

No comparison of current year and previous year's performance targets

40. The municipality did not ensure that a comparison of performance with targets set for the current and previous financial years was disclosed in the annual performance report, nor was mention made of the measures to improve performance, as required by section 46 of the MSA.

No performance management system

41. The municipality did not have a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, indicators and targets contained in its IDP as required by section 38 of the MSA.

No framework for managing performance information

42. The municipality did not adopt or implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required by the requirements of regulation 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Key performance indicators do not relate to the development priorities and objectives.

43. The key performance indicators in the integrated development plan did not relate logically and directly to the development priority and/or objectives. Furthermore, the key performance indicators are not consistent between the IDP and the SDBIP, the targets are not consistent between the IDP and the SDBIP and the inconsistencies have not been approved, as required by Section 26 (i) of the MSA.

Insufficient staff for the implementation of a performance management system

44. The municipality did not ensure that there were sufficient staff and support for the efficient and effective implementation of Performance Management System as well as the fact that there is no performance audit committee, this is in contravention of the requirements of Section 41(2) of the MSA.

No framework for managing performance information

45. The municipality did not have a framework for managing performance information in that the following were lacking:-
- The post of the manager responsible for performance management information was vacant.
 - Standard templates by means of municipal scorecard as the model for performance management as stated under page 132 of the reviewed IDP 2008/2009.
 - Evidence that the performance information is reported to the Council on an annual basis.

Usefulness and reliability of reported Performance Information



46. The following criteria were used to assess the usefulness and reliability of the information on the Municipality's performance with respect to the objectives in its IDP:
- Consistency: Has the Municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
 - Relevance: Is the Performance Information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
 - Reliability: Can the reported Performance Information be traced back to the source data or documentation and is the reported Performance Information accurate and complete in relation to the source data or documentation?

The following audit finding relate to the above criteria:

Reported performance information not reliable

47. An assessment could not be performed of the reliability of the Performance Information, since the municipality did not have a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, indicators and targets contained in its IDP as required by section 38 of the MSA.

APPRECIATION

48. The assistance rendered by the staff of the Matatiele Local Municipality during the audit is sincerely appreciated.

Mthatha

25 May 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

**RESPONSE TO AUDIT REPORT**

Response to the Audit Report of the Auditor-General on the Financial Statements and performance information of Matatiele Local Municipality for the year ended 30 June 2009.

Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
1.I have audited the accompanying financial statements of the Matatiele Local Municipality which comprise the Statement of Financial Position as at 30 June 2009, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages xxx to xxx.	Noted	None	N/A	N/A	Resolved
2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.	Noted	None	N/A	N/A	Resolved
3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.	Noted	None	N/A	N/A	Resolved
4.I conducted my audit in accordance with the International Standards on Auditing read with <i>General Notice 616 of 2008</i> , issued in <i>Government Gazette No. 31057 of 15 May 2008</i> . Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.	Noted	None	N/A	N/A	Resolved
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The	Noted	None	N/A	N/A	Resolved



Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.					
6. Paragraph 11 <i>et seq.</i> of the Statement of Generally Recognised Accounting Practice, GRAP 1 <i>Presentation of Financial Statements</i> requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by Matatiele Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.	Noted	None	N/A	N/A	Resolved
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.	Noted	None	N/A	N/A	Resolved
8. In my opinion the financial statements present fairly, in all material respects, the financial position of Matatiele Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Generally Recognised Accounting Practice and in the manner required by the MFMA.	Noted	None	N/A	N/A	Resolved
9. Without qualifying my audit opinion, I draw attention to the following matters.	Noted	None	N/A	N/A	Resolved
10. As disclosed in note 23 to the	An incorrect debt	In future the	CFO and	Continuous	Resolved



Matatiele Local Municipality Annual Report 2008/2009

Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
financial statements, the corresponding figures for 30 June 2008 have been restated as a result of changes in accounting policies during the 30 June 2009 financial year in the financial statements of Matatiele Local Municipality.	raised in the June 2009 billing was only corrected in July 2009. This error was discovered after the completion of the AFS's. Due to the phasing in of GRAP 17 in terms of Directive 4 of the ASB depreciation had to be written back to Accumulated Surpluses. The above resulted in the restatement of previous years balances.	Variance Report will be checked with more care in order to ensure accurate billing.	Income Accountant.		
Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements: 11. The supplementary information set out on pages XX to XX do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.	Noted	None	N/A	N/A	Resolved
12. There is no official logbook kept for the mayoral vehicle of the municipality and on review of the driver's diary, trips to the mayor's residence were noted but because of the limited information given in the diary I was not able to determine official and private trips for the Mayor. This could lead to contravention of section 167(2) of the MFMA.	The Mayor's Driver keeps a log book. An instruction will be issued that all trips are detailed in the logbook and the logbook be made available for audit purposes.	An instruction will be issued that the Logbook must be kept up to date.	MM, Mayors Driver and Transport Officer.	30 June 2010	Implementation Stage
13. The accounting officer of the Matatiele Local Municipality has failed to submit annual financial statements for the financial year ended 30 June 2009 within the specified period of two months after year end as required by section 126(1) of the MFMA.	This was as a result of the financial system crash at year end due to electricity problems at the new premises. Controls to prevent a similar occurrence have been implemented.	In future the AFS will be completed within 2 months after year end.	CFO and Manager: Budget & Treasury.	31 August 2010	Resolved
14. The municipality did not have an approved banking policy during the current financial year as required by section 13 (2) of the MFMA, and reconciling items were not cleared	Noted. All policies were adopted on 29 June 2009.	All policies will be adhered to.	CFO and Income Accountant.	Monthly	Resolved



Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
timeously in the bank reconciliations as required by section 65(2) (j) of the MFMA.					
15. As required by section 52(b) & (d) of the MFMA the Mayor may in providing such general political guidance monitor, oversee the exercise of responsibilities in terms of this act to the accounting officer and the chief financial officer must within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and financial state of affairs of the municipality. The following documents could not be provided for audit purposes:	Noted	This section will be adhered to in future.	Mayor, MM and CFO	Continuously	Implementa- tion Stage
<ul style="list-style-type: none"> Action taken by the Mayor to ensure that the post of the accounting officer was filled as the CFO has been an acting municipal manager for more than a year (i.e. 30 September 2008 – 30 November 2009). 	An accounting officer has been appointed with effect from 18 November 2009.	In future vacant posts will be filled timeously.	MM and General Manager: Corporate Services	Continuously	Implementa- tion Stage
<ul style="list-style-type: none"> Reasonable steps to ensure that annual performance agreements as required by section 57(1) of the MSA for the municipal manager and all senior managers were approved and signed by the accounting officer and other section 57 managers. 	All section 57 managers have signed performance agreements.	Quarterly assessments have commenced and will be maintained.	MM	Quarterly	Implementa- tion Stage
16. Non-compliance with section 62(1) (c) of the Municipal Finance Management Act (No. 56 of 2003) has been detected. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:	Noted.	This section will be adhered to in future.	Municipal Manager		Resolved
<ul style="list-style-type: none"> The municipality had a shared audit committee but was not operational throughout the financial year <p>The municipality had an outsourced internal audit function from 19 June 2009 and was therefore not in operation during 2008/2009 financial year.</p>	<p>An Audit Committee was appointed with effect from February 2010.</p> <p>Umnotho Business Consultants have been appointed as Internal Auditors with effect from February 2010.</p>	<p>The Audit Committee now meets regularly.</p> <p>The Internal Auditors attends the Audit Committee meetings.</p>	MM	<p>The internal auditors were appointed 11 January 2010.</p> <p>The Audit committee were established.</p>	Resolved



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Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
17. Section 63 (1)(a) and (2)(a) of the Municipal Finance Management Act, (Act No. 56 of 2003) states that the accounting officer is responsible for the management of the assets of the municipality including the safeguarding and the maintenance of those assets; and must for this purpose take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality.	All policies were approved on 29 June 2009.	All policies will be work shopped to staff and implementation monitored.	CFO	30 September 2010	Implementation Stage
As previously reported, the Fixed Asset Management Policy which was used by the Municipality had no evidence that it had been approved by the Council during the period under review.					
18. Formal and written delegations made by the mayor, the accounting officer and the chief financial officer as required by sections 59(1),79 and 82 of the Municipal Finance Management Act, No.56 of 2003 respectively, could not be produced for audit purposes	Delegations are currently being developed.	Written delegations will be signed for by all relevant office bearers.	MM and CFO	31 August 2010	Implementation Stage
19. Section 132(1) and (2) of the Municipal Finance Management Act, No. 56 of 2003 states that, the following documents must be submitted to the provincial legislature: <ul style="list-style-type: none"> The annual report of each municipality and each municipal entity in the province, or if only components of an annual report were tabled in terms of section 127(3), those components; and all oversight reports on those annual reports adopted in terms of section 129(1). The accounting officer of a municipality must submit the documents referred to in subsection (1)(a) and (b) to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report in terms of section 129(1). No evidence has been obtained	The documents have been submitted to the relevant authorities. Regrettably the evidence of the submission was mislaid.	The 2007/2008 Annual Report will be re-submitted together with latest 2008/2009 Annual Report.	CFO / Manager Budget	30/06/2010	Implementation Stage



Matatiele Local Municipality Annual Report 2008/2009

Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
to confirm that the accounting officer submitted to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report.)					
<p>20. Section 44 of the Municipal Finance Management Act (No.56 of 2003) states that; whenever a dispute of a financial nature arises between organs of state, the parties concerned must as promptly as possible take all reasonable steps that may be necessary to resolve the matter out of court and that if the National is not a party to the dispute, the parties must report the matter to National Treasury."</p> <p>Included in the creditors' balance is an amount of R 1,896,883.19 being monies due to Alfred Nzo district municipality in respect of water and sanitation services. This amount has not been paid over due to an uncertain claim of loan amount by the municipality on behalf of the district municipality. Evidence of service agreement by both municipalities in respect of these services could not be provided. A response from the previous audit report paragraph states that "The amount owed to Alfred Nzo had been paid off against money owed by them for outstanding services and loan repayments.</p> <p>This has not been done and no correspondence between the two municipalities could be provided and that National Treasury has been advised as required in terms of the above section.</p>	<p>Various meetings were held between the management of the two municipalities. Verbal agreement was reached that the amount owed by ANDM to Matatiele Local Municipality will be settled in the 2010/2011 financial year. Therefore there is no need to declare a dispute at this stage.</p>	<p>The matter will be followed up with the CFO of ANDM at the commencement of the new financial year.</p>	CFO	31/07/2010	Implementation Stage
<p>21. The municipality did not submit a report for the quarter ending 30 June 2009 on the implementation of the budget as required in terms of section 52 (b) & (d) of the Municipal Finance Management Act, and the financial state of affairs of the municipality was also not submitted to the Council within 30 days.</p>	<p>Noted, due to the financial system crash all reports were late the last month of the financial year.</p>	<p>In future all reports will be done timeously.</p>	CFO	Quarterly	Implementation Stage
<p>22. During the audit of Creditors, it was noted that the Municipality does</p>	<p>All creditors except those with a problem are paid</p>	<p>All creditors except those with a problem</p>	CFO, Accountant Expenditure	Continuous	Implementation Stage



Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
not pay its suppliers within 30 days of receiving the relevant invoice as required in terms of Section 65 (1) and (2) of the Municipal Finance Management Act, Act 56 of 2003.	within 30 days. The reasons for late payments are recorded on the statement.	will be paid within 30 days. The reasons for late payments will be recorded on the statement.	and creditors clerk.		
23. Circular No. 34 states that the municipality/municipal entity must submit a separate report for each contract awarded (and signed) above R100 000 to National Treasury within 15 days of the end of the month. However through inquiry and inspection of supporting documentation of some contracts that were awarded and which are above R100 000, it was noted that the municipality did not send reports to National Treasury for contracts amounting to R374 041.	Noted, in future the reports will be submitted to the relevant departments.	An instruction will be issued to relevant staff that circular 34 must be adhered to. This will be monitored on a monthly basis by the CFO.	CFO, Accountant Expenditure and procurement clerk.	Monthly	Implementation Stage
24. No training was given to the evaluation committee members during the current year under review for them to meet the prescribed competency levels as required by section 119(2) of the MFMA.	Due to time and budget constraints no training was provided.	Training will be included in the WSP for the next financial year.	CFO, GM Corporate Services and Skills Development Facilitator.	31/07/2010	Implementation Stage
25. Section 62 (1) (c) (i) of the Municipal Finance Management Act states that "the municipality has and maintain effective, efficient and transparent systems of financial and risk management control" As was reported in the previous audit, the municipality did not have a risk management policy up to 25 June 2009, but later approved one on 26 June 2009, a risk committee and formal risk assessment was not performed on a regular basis.	Risks are discussed at every MANCO meeting.	Separate risk management committee will be implemented and risk assessments will be performed on regular basis.	MM, GM Corporate Services.	31/07/2010 and thereafter monthly.	Implementation Stage
26. The annual report, service delivery agreements, long term borrowing costs; all supply chain management contracts above a prescribed value, an information statement containing a list of assets above a prescribed value that have been disposed of and all quarterly reports tabled in the Council in terms of section 52 (d) have not been placed in the municipality's website as required by section 75 (1).	A tender inviting service providers to submit bids to update councils website in terms of s75 has already been advertised.	A tender inviting service providers to submit bids to update council's website in terms of s75 has already been advertised. In future the website will be updated monthly or whenever the need arise.	MM, GM Corporate Services	31/08/2010	Implementation Stage
27. There were no performance agreements or contracts for the	All section 57 managers have signed	Quarterly assessments have commenced and	MM	Quarterly	Implementation Stage



Matatiele Local Municipality Annual Report 2008/2009

Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
municipal manager and other section 57 managers as required by section 57(1) of the MSA.	performance agreements.	will be maintained.			
28. The municipality does not have a fraud prevention plan as required by section 6 (2) of the MSA.	A fraud prevention plan was adopted on 29 June 2009.	This plan will be work shopped to the workforce.	GM Corporate Services	31/08/2010	Implementation Stage
29. The interim valuations were not made by the municipality during the year under review although there were improvements made in some properties. This is contrary to section 77 of the Municipal Property Act which states that a municipality must regularly, but at least once a year, update its valuation roll.	The Municipal Property Rates Act was only implemented with effect from 01/07/2009. Further, interim valuations relating to 2008/2009 was only received in July 2009 and assessed accordingly.	The new valuers have been instructed to provide interim valuations timeously. The assessments will in future be done in the applicable financial year.	CFO, Accountant Income, Rates Clerk	Quarterly	Implementation Stage
30. The Municipal Finance Management Act tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows: <ul style="list-style-type: none"> The annual report was not submitted for consideration prior to the tabling of the auditor's report. The annual financial statements were not submitted for auditing as per the legislated deadlines section 126 of the MFMA. The municipality had no audit committee in operation throughout the financial year. The audit committee did not operate in accordance with approved, written terms of reference. The audit committee did not substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. The municipality had no internal audit function in operation throughout the financial year. The internal audit function did not operate in terms of an approved internal audit plan. The internal audit function did 	All risks and controls will be reviewed and the required procedures documented.	All risks and controls will be reviewed and the required procedures documented. These will be discussed regularly at the weekly Manco meetings	MM	31 July 2010 and thereafter weekly.	Implementation Stage



Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
<p>not substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</p> <ul style="list-style-type: none"> There are significant deficiencies in the design and implementation of internal control in respect of financial and risk management. There are significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. No risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i)/95(c)(i) of the MFMA. No delegations of responsibility are in place, as set out in section 79/106 of the MFMA. The information systems were not appropriate to facilitate the preparation of a performance report that is accurate and complete. No adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. No strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Matatiele Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA. There is not functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance. 					
31. The annual report has not been submitted for consideration prior to the audit report being signed as	Noted, the draft annual report was reviewed prior to	The Draft Annual Report will be tabled in January	MM	31/01/2011 and 31/03/2011	Planning Stage



Matatiele Local Municipality Annual Report 2008/2009

Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
the Municipality is still in the process of preparing the annual report.	receiving the final audit report.	and adopted in March together with the Oversight Report.			
32. The Annual Financial Statements were submitted on 30 September 2009, due to failure or crash of the municipality's financial system, this led to delays on the audit.	This was as a result of the financial system crash at year end due to electricity problems at the new premises. Controls to prevent a similar occurrence have been implemented.	In future the AFS will be completed within 2 months after year end.	CFO and Manager: Budget & Treasury.	31 August 2010	Implementation Stage
33. The audit committee was ineffective in the performance of its duties in terms of its mandate. The municipality's council only decided in December 2008 to have a shared audit committee with the district municipality, Alfred Nzo, the audit committee therefore only became effective in the last half of the financial year having their first meeting only in March 2009. This resulted in only approving the Internal Audit Charter only on the 30 th June 2009, therefore; the internal audit department of the municipality did not function throughout the year either.	A New Audit Committee has now been appointed. The Audit committee approved its terms of reference.	Audit Committee meets regularly. The Audit Committee has been appointed for a period of 3 years. The terms of reference will therefore be in force for this period.	MM	Monthly	Resolved
34. The Internal Audit function was ineffective in performance of its duties in terms of the Internal Audit Charter as it was only approved at year end.	New Internal Auditors were appointed with effect from February 2010. An operational plan was presented and approved by the Audit Committee.	The Internal Auditors are reviewing the controls for the full financial year. The Internal Audit operated in terms of the approved plan.	MM	Monthly	Resolved
35. I have reviewed the performance information as set out on pages xx to xx.	Noted	None	N/A	N/A	Resolved
36. In terms of section 121(3)(c) of the MFMA, the Annual Report of a municipality must include the Annual Performance Report of the Municipality, prepared by the Municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	Noted	The annual performance report will in future be included in the annual report and submitted to the AG for audit purposes.	MM	30/11/2010	Implementation Stage
37. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616	Noted	None	N/A	N/A	Resolved



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Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.					
38. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the Performance Information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.	Noted	None	N/A	N/A	Resolved
39. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.	Noted	None	N/A	N/A	Resolved
40. The municipality did not ensure that a comparison of performance with targets set for the current and previous financial years was disclosed in the annual performance report, nor was mention made of the measures to improve performance, as required by section 46 of the MSA.	This will be done in future.	The annual performance report will in future be included in the annual report and submitted to the AG for audit purposes.	MM	31/11/2010	Implementation Stage
41. The municipality did not have a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, indicators and targets contained in its IDP as required by section 38 of the MSA.	The PMS was adopted by Council on 18 December 2009.	Quarterly assessments will be done of all S57 managers. Service providers are assessed on a monthly basis.	MM, GM's of various departments	Quarterly	Implementation Stage
42. The municipality did not adopt or implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required by the requirements of regulation 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.	The PMS was adopted by Council on 18 December 2009.	Quarterly assessments will be done of all S57 managers. Service providers are assessed on a monthly basis.	MM, GM's of various departments	Quarterly	Implementation Stage
43. The key performance indicators in the integrated development plan did not relate logically and directly to the development priority and/or objectives. Furthermore, the key performance indicators are not consistent between the IDP and	A high level review of the IDP will be undertaken in order to ensure that the IDP is credible and meet the criteria as set out in legislation.	A high level review of the IDP will be undertaken in order to ensure that the IDP is credible and meet the criteria	MM	30/09/2010	Planning stage



Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
the SDBIP, the targets are not consistent between the IDP and the SDBIP and the inconsistencies have not been approved, as required by Section 26 (i) of the MSA.		as set out in legislation.			
44. The municipality did not ensure that there were sufficient staff and support for the efficient and effective implementation of Performance Management System as well as the fact that there is no performance audit committee; this is in contravention of the requirements of Section 41(2) of the MSA.	The matter regarding the filling of vacant posts is problematic due to budget constraints. Critical vacant posts have been budgeted for and will be filled timeously.	Critical vacant posts which have been budgeted for and will be filled timeously.	Mm, GM Corporate Services	30/12/2010	Implementation Stage
45. The municipality did not have a framework for managing performance information in that the following were lacking:- <ul style="list-style-type: none"> The post of the manger responsible for performance management information was vacant. Standard templates by means of municipal scorecard as the model for performance management as stated under page 132 of the reviewed IDP 2008/2009. Evidence that the performance information is reported to the Council on an annual basis. 	The PMS was adopted by Council on 18 December 2009. Quarterly assessments will be done of all S57 managers. Service providers are assessed on a monthly basis.	Quarterly assessments will be done of all S57 managers. Service providers are assessed on a monthly basis.	MM, GM's of various departments	Quarterly	Implementation Stage
46. The following criteria were used to assess the usefulness and reliability of the information on the Municipality's performance with respect to the objectives in its IDP: <ul style="list-style-type: none"> Consistency: Has the Municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan? Relevance: Is the Performance Information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified? Reliability: Can the reported Performance Information be traced back to the source data or documentation and is the 	A high level review of the IDP will be undertaken in order to ensure that the IDP is credible and meet the criteria as set out in legislation.	A high level review of the IDP will be undertaken in order to ensure that the IDP is credible and meet the criteria as set out in legislation.	MM	30/09/2010	Planning Stage



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Item Raised	Management Response	Action Required	Responsible Person	Completion Date	Status
reported Performance Information accurate and complete in relation to the source data or documentation?					
47. An assessment could not be performed of the reliability of the Performance Information, since the municipality did not have a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, indicators and targets contained in its IDP as required by section 38 of the MSA.	The PMS was adopted by Council on 18 December 2009. Quarterly assessments will be done of all S57 managers. Service providers are assessed on a monthly basis.	Quarterly assessments will be done of all S57 managers. Service providers are assessed on a monthly basis.	MM, GM's of various departments	Quarterly	Implementation Stage
48. The assistance rendered by the staff of the Matatiele Local Municipality during the audit is sincerely appreciated.	Noted	N/A	N/A	N/A	Resolved



4.4 BUDGET 2008/2009

Matatiele Local Municipality is currently financially sustainable enough to meet all of its liabilities. Despite this the Municipality lacks financial resources and faces a multitude of financial challenges.

The Municipalities total budget for the 2008/09 financial year is R268 597 903.

Income Allocations and Sources

The Matatiele Local Municipality derives its income from two sources namely;

- ⇒ External income
 - Government Grants and subsidies
 - Capital Grants
- ⇒ Own income
 - Property rates
 - Service charges on electricity and refuse removal
 - Interest and dividends
 - Rental on facilities
 - Fines
 - Licenses and permits
- ⇒ The Municipality has a low income base and is heavily dependent on Government grants and subsidies and capital grants which constitute 71% of its 2008/09 budget. According to the budget forecast, external financing will constitute 72% of the 2009/10 and 2010/11 budgets.

Valuation Rolls

Property rates constitute only 10% of the Municipalities income. The Municipality will adopt a new valuation roll in July 2009 and it is anticipated that this will have a positive effect on the rates base from the 2009/10 financial year.

Billing and Payment Rates

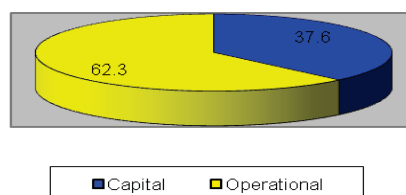
Property rates and service charges on electricity and refuse removal constitute 8% and 13% of the Municipalities own income for the 2008/09 financial year. A total of 4000 households are billed each month of which 3000 are urban and 1000 rural.

Payment rates are poor and it is estimated that less than 7% of households are paying their monthly accounts. This is compounded by the high poverty levels and low affordability levels of the community.

EXPENDITURE ALLOCATION AND TRENDS

The capital and operational budgets constitute 37.6 % (R101 154 773) and 62.3% (R167 443130) of the 2008/09 budget respectively. Expenditure Figure

Expenditure 2008/09





National treasury no longer prescribes a norm for salary expenditure and instead requires Municipalities to develop a personnel expenditure ratio that is based on the nature of its functions, organisational structure, labour intensity of its operations, extent to which labour intensive components of its operations are outsourced and the composition of non personnel components of its operational expenditure. The 2008/09 budget reflects that 26% of the operational budget was allocated to salary expenditure. This is well under the anticipated personnel expenditure for Local Municipalities in 2009/10.

The Municipality is constantly striving to provide services to its community which requires substantial capital investment, especially in terms of infrastructural assets. In order to maintain service delivery it is imperative that these assets be maintained in proper working order which requires equitable investment in terms of maintenance and repair costs. According to the National Treasury Municipalities should be budgeting between 10% and 15% of their operating expenditure for repairs and maintenance¹. The 2008/09 budget reflects an allocation of 9% to repairs and maintenance which falls only slightly short of the recommended norm.

Breakdown of Expenditure Allocation

VOTE	2008/2009	2009/2010	2010/2011
Council	17 814 880	18 260 532	18 990 953
Executive	3 081 141	5 179 911	5 387 107
Budget and Treasury Services	19 518 173	25 957 120	26 995 405
Technical Services	47 563 499	51 118 814	53 163 567
Community and Social Services	8 424 543	9 964 000	10 362 560
Corporate Services	6 693 815	8 310 194	8 642 602
Total	113 650 102	129 666 032	134 852 674

PROVISION OF FREE BASIC SERVICES

Provision is made on the budget for the provision of free basic water services from the equitable share. In terms of the Division of Revenue Act 2008 Matatiele Municipality received an Equitable Share of R42 525 000, which is not adequate to deliver services to the area.

The Matatiele Local Municipality has adopted an indigent support policy which aims to assist the poorest of the poor by providing free basic electricity and refuse removal services. The policy includes indigents throughout the jurisdiction of the Municipality and there are currently 726 registered. Indigent clients must re-register every six months.

Households receiving free basic services during the 2008/2009 financial year are reflected below.

Free Basic Electricity	Free Basic Water	Free Basic Refuse	Free Basic Sanitation
50Kw per month	6 Kl per month	R55.05 per month	R50.38 per month
R2 200 000	R6 220 000	R368 000	R122 000



Actual versus Budget comparison for the year

Description	2008/2009	2008/2009	2008/2009
	Actual	Budget	Variance
	R	R	%
REVENUE			
Property Rates	17,054,099	14,244,804	16.47
Property Rates - Penalties imposed and collection charges	567,324	500,000	11.87
Service Charges	20,526,634	22,034,682	(7.35)
Rental of Facilities and Equipment	386,578	399,924	(3.45)
Interest Earned - External investments	4,468,970	5,000,000	(11.88)
Interest Earned - Outstanding debtors	2,037,479	1,242,736	39.01
Fines	613,056	663,500	(8.23)
Licenses and Permits	859,090	830,000	3.39
Government Grants and Subsidies	97,395,591	135,805,587	(39.44)
Other Income	959,371	1,157,300	(20.63)
Public Contributions and Donations	50,000	-	0.00
Other Gains on Continued Operations	-	-	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	0.00
Profit on Sale of Land	36,000	102,705	(185.29)
Total Revenue	144,954,193	181,981,238	(20.35)
EXPENDITURE			
Employee Related Costs	24,067,054	28,653,721	(19.06)
Remuneration of Councillors	11,012,080	12,138,344	(10.23)
Collection Costs	-	-	0.00
Depreciation	6,775,028	3,405,332	49.74
Impairment Losses	7,193,272	1,000,000	86.10
Repairs and Maintenance	10,133,396	10,559,475	(4.20)
Interest Paid	155,389	222,900	(43.45)
Bulk Purchases	8,899,732	9,750,000	(9.55)
Contracted Services	6,035,461	8,734,670	(44.72)
Grants and Subsidies Paid	11,689,184	26,103,525	(123.31)
Research and Development Costs	-	-	0.00
General Expenses	10,203,202	13,293,032	(30.28)
Other Losses on Continued Operations	-	-	0.00
Loss on disposal of Property, Plant and Equipment	32,100	-	100.00
Total Expenditure	96,195,899	113,860,999	(15.51)
NET SURPLUS / (DEFICIT) FOR THE YEAR	48,758,294	68,120,239	28.42



CHAPTER 5

FUNCTIONAL SERVICE DELIVERY REPORTING

5.1 GENERAL INFORMATION

A functional analysis of the Organisational structure and operations was aligned to the reporting structure as prescribed by the National Treasury, and is as follows:

DEPARTMENTAL FUNCTIONS & SUB FUNCTIONS		
VOTE/ DEPARTMENT	SUB FUNCTION	SUB SUB FUNCTION
EXECUTIVE & COUNCIL		
OFFICE OF THE MAYOR	Special Programmes	Gender HIV & AIDS Youth Development Rights of Children Disabled Elderly
	Communication	Issue media releases. Municipal Newsletters. Marketing Public Relations
	Public Participation	IDP Budget CDW's
	Protocol	
OFFICE OF THE MUNICIPAL MANAGER	Governance	Municipal administration.
	Integrated Development Plan	
	Performance Management System	
	Audit Audit Committee	External Audit Reports Internal Audit Reports Requesting Special Audits Performance Audit
	Internal Audit	Audit inspections



DEPARTMENTAL FUNCTIONS & SUB FUNCTIONS		
VOTE/ DEPARTMENT	SUB FUNCTION	SUB SUB FUNCTION
FINANCE AND ADMINISTRATION		
BUDGET AND TREASURY	Governance	Departmental administration.
	Income	Grants Taxes, Levies etc Debtor management Revenue management Billing
	Expenditure and Supply	Creditor management
	Chain management	Loan repayments Bank reconciliations Payroll Insurance management Demand management Acquisition management Logistics management Assets management
	Financial Reporting	Annual Financial Statements Budget management Cash flows Investments Loan management Management Accounts
CORPORATE SERVICES	Governance	Departmental administration.
	Legal Services Archives Registry Archives	Correspondence Management Records Management Management of all council operated property (Owned & leased) Land and Property alienation IT management
	Property Services	
	Information Technology	
	Support Services	Departmental administration. Control over Council's telephone account Control over Council's fax account Control over Council's telephone instruments & contracts Control over Council's cell-phone instruments & contracts Control over Council's photo coping equipment & contracts Control over Council's two way radio instruments & contracts



DEPARTMENTAL FUNCTIONS & SUB FUNCTIONS		
VOTE/ DEPARTMENT	SUB FUNCTION	SUB SUB FUNCTION
CORPORATE SERVICES – CONT.		
	Human Resources HR Management	Control over Council's fire arms & licences Customer Care Hall Bookings Need Analysis. Training Budget. Training Interventions. Workplace Skills Plan. Employment Equity Plan. WSP and EEP Plans. Identification of ASP's. Implementation of WSP and EEP. Formation of training and OHS com. Advise employer to formulate HRD, EEP and EAP policies. Submission of ATR to LGSETA. Submission of EER to DoL. Staff Benefits. Personnel Records. Recruitment and Selection.
	Political Support Office of the Speaker	Ward Committees
	Office of the Chief Whip	Whippery Councillor Welfare & Support
	Committee Services	
COMMUNITY SERVICES DIRECTORATE	Governance	Departmental administration.
HEALTH Health and Welfare	Primary Health Clinic	Primary Health Care School, Crèches, Home visits
COMMUNITY & SOCIAL SERVICES Public amenities	Library Museum Community Halls	Book, video, DVD availability Monuments, historic houses and sites Exhibitions halls and places for community gatherings
SPORT AND RECREATION	Sports Stadiums Sport Organising Swimming pool	Community parks, sports grounds, stadiums Sporting events Swimming pool management



5.2 GOVERNANCE AND ADMINISTRATION



CHIEF FINANCIAL OFFICER
MR D C VAN ZYL

5.2.1 BUDGET AND TREASURY

Financial Services with Integrity!

VISION

Ensure sound and fraud-free Financial Services.

MISSION

To establish an organization capable to advise the Municipal Council and Management on financial matters, financial resources required to sustain services, how to raise such funds, to collect all revenue due and to meet legislative obligations.

VALUES

- Creating a conducive working environment
- Promoting Employment Equity
- Promoting Capacity Building to staff and clients
- Rendering a Professional Service to all our people
- Promote the Batho Pele Principles

OBJECTIVES

- Management of Municipal Assets & Risks
- Management of Municipal Revenue
- Management of the Municipal Budget
- Performance of the Treasury Function
- Maintenance of Internal Financial Control
- Production of Financial Performance Reports
- To Retain the Financial Viability of the Municipality
- To maximize the amount of Capital Budget spent on IDP related projects



Matatiele Local Municipality has succeeded to be financially sustainable and meet all liabilities, for example:-

- All our creditors have been paid promptly (monthly)
- Escom has been fully paid monthly
- Staff Costs and Council Allowances have been met monthly
- All Council services, including free basic services, have been delivered
- Asset maintenance and management has been adhered to, so as to enhance asset lifespan and derive maximum benefit from usage.
- Surplus cash has been invested regularly when it occurred.
- No external loans have been made
- Daily bank reconciliation is being administered in such a way to detect financial fraud, theft and any unwanted mismanagement of money.

Equitable Share

The Council receives an Equitable Share Grant from National Treasury. The grant allocations assist the municipality to provide free basic services to its registered indigents. Free basic services provided are electricity and refuse removal.

The figures for equitable share are as follows:

YEAR	AMOUNT
2004	2 735 000
2005	3 381 000
2006	4 155 000
2007	18 597 817
2008	32 941 943
2009	44 440 239

FINANCIAL PLANNING

The department is intrinsically involved in the Integrated Development Planning process, and contributes extensively to the framing of a Financial Plan. The capital projects are directly linked to the budget after consultation with communities. The needs are then prioritised and included in the budget.

The Council receives monthly financial reports, in accordance with the directives in this regard. Daily cash flow reports are produced to ensure available cash at hand.

Annual Financial Statements (AFS) have been submitted up to end June 2009. These financial statements have been compiled in accordance with the applicable GRAP statements, as prescribed in the Municipal Finance Management Act. As a medium capacity municipality Matatiele Local Municipality was required to convert AFS to GRAP standards by 30 June 2008. However, Matatiele Local Municipality's AFS were converted by 30 June 2006, with certain exemptions which were authorized by National Treasury.



Finance department to be structured as follows, with Job descriptions for all posts:

➤ ***Office of the Chief Financial Officer***

Overall Financial management control, in charge of the following sections with their main functions as:

➤ ***Budget and Treasury section***

- Budget management
- Grant and Investment control
- Financial Reporting

➤ ***Revenue and Debt management section***

- Billing of tariffs
- Collection and control of cash/revenue
- Management of Debt
- Indigent Support

➤ ***Expenditure and Supply Chain Management section***

- Payment of Suppliers
- Payroll management
- Bank reconciliation
- Procurement/Supply Chain management
- Inventory control
- Assets management

Procedures for the Finance department are broadly described in the Financial and Credit management Bylaws (promulgated on 4 November 2004, MN no. 51/52 and 53 of 2004), Delegations of Powers and Duties (as approved by Council on 31 March 2006), and Policies previously approved by Council.



The following policies have been reviewed and developed during the year:

Review of existing Policies

1. Supply Chain Management
2. Supply Chain Management-Implementation Guide
3. Budgeting Policy
4. Budgeting Policy-Implementation Guide
5. Fixed Asset Management Policy
6. Fixed Asset Management Policy-Implementation Guide
7. Transport Policy
8. Banking/Investment Policy
9. Banking/Investment Policy-Implementation Guide
10. Indigent Support Policy
11. Rates Management Policy
12. Tariffs Management Policy
13. Credit Control and Debt Collection Policy
14. Internal Audit Charter
15. Audit Committee Charter

Development of Policies

16. GRAP Framework Policy
17. Risk Management Policy
18. IT Policies
 - 18.1 Disaster Recovery Policy
 - 18.2 Disaster Recovery Plan
 - 18.3 Data Backup Policy
 - 18.4 Data and Systems Security Policy
 - 18.5 Network Security Policy
 - 18.5 Policy on the use and application of Information Technology
19. Cash Management Policy
20. Special Services Tariff Policy
21. Grant and Donation Policy
22. Procurement Policy
23. Payment Policy: Approval of Invoices
24. Virement Policy
25. Cash-up Policy
26. Cash Shortage Policy
27. Pre-paid Electricity: Lost token policy
28. Credit Card Policy
29. Corporate Gifts Policy
30. Clothing/Dress Code Policy
31. Entertainment Policy
32. Customer Incentive Scheme Policy
33. Improve Debtor Payment Strategy
34. Customer Care Policy
35. Fraud Prevention Plan
36. Debt Capacity Policy
37. Access of Finance (Donor Finance) Policy
38. Legal Representation Policy



AUDIT, REPORTING AND RISK MANAGEMENT

Reporting

Monthly financial reports are presented to the Municipal Council which reflects income and expenditure in accordance with the budget. Daily cash flow reports are produced to ensure sufficient available cash at hand. Annual Financial Statements in GRAP format were compiled and submitted. A summary of Service delivery target and performance indicators is as below:

Quarterly Projections for Service Delivery Targets and other Performance Indicators

Vote Indicator	Unit of Measurement	Actual
Department: Chief Financial Officer		
Vote: Finance		
Municipal Finance Management Act,		
Monthly reporting to Mayor (Section 71)	No. of monthly reports	12
Quarterly reporting to council	No. of quarterly reports	4
Annual details of bank account (Sec.9b)	Before 30 June each year	30-Jun-09
Quarterly reporting on withdrawals	No. of quarterly reports	4
Mid-year budget (Sec.72)	Before 25 January each year	25-Jan-09
Bank reconciliation's	No. of reconciliations	12
Investments	No. of bank certificates	4
Investment policy (annual review)	Date approved	30-Jun-09
Adoption of policies	Date policies adopted by Council	30-Jun-09
Multi-year budget		
Time schedule	Date approved	31-Aug-08
Tabling of annual budget	Date tabled	28-Feb-09
Approval of annual budget	Date approved	31-May-09
Public meetings	No. of meetings	7
Financial Statements		
Trial balance preparation	Date completed	31-Jul-08
Reconciliation with general ledger	Date completed	25-Aug-08
Working papers for year-end transactions	Date completed	25-Aug-08
Accounting policies i.r.o statements	Date completed	25-Aug-08
CFO report on statements	Date completed	25-Aug-08
Completed financial statements	Date completed	31-Aug-08
Submission to A-G & Province	Date completed	31-Aug-08
GAMAP/GRAP conversion	Ledger and trial balance and I & E statement in GRAP format - date finalised	30-Dec-07
Budget Control		
Monthly reports to Managers i.r.o I & E	No. of budget reports	Monthly
Adjustment budget	Date revised budget approved	31-Jan-09
Asset Register		
Inventory control	Frequency of inventory lists	Quarterly
Updating of assets register	Frequency of updates	Quarterly
Disposal of assets	Date of report to Council	30-Jun-09
Loans Register		
Payment of interest & redemption	Cheque vouchers	Bi-annually
Reconciliation with general ledger	Reconciliation	Bi-annually
Inclusion in financial statements	Appendix A	Annually

**Quarterly Projections for Service Delivery Targets and other Performance Indicators**

Vote Indicator	Unit of Measurement	Actual
Revenue Management		
Credit control & debt collecting	Report to sub committee	Bi-monthly
Tariff adjustments	Date Advertised	Annually
Debtors reconciliation	No. of reconciliations	Monthly
Expenditure Management		
Creditors paid	Creditors reconciliation	100%
Salaries and allowances paid on time	Payroll	100%
Insurance of assets & liabilities	Premiums	100%
Financial regulations review	Regulations	Annually
Delegations review	Delegations	Annually
Training of staff		
No of staff trained in finance management	Training schedule	25
No of staff meetings competency levels	Survey	12
Supply Chain Management		
Compliance with SCM Regulations	Survey	12
Supply Chain Management Policy	Policy Review	Annually
Tender Adjudications	Committee Meetings	Monthly
Information Technology		
Computer literacy	No. of staff trained	25
Issue of staff with PC's	No. of staff issued	25
Installation of antivirus software	Updates	Monthly
Updating of Web page	Contents	Monthly
Updating of Abakus Financial System	Reports	Quarterly
Updating of PayDay Payroll System	Reports	Quarterly
Maintenance of hardware	As Required	Monthly
Valuation Roll Maintenance	Amended Valuation Roll	Monthly
GIS System Maintenance	As Required	Monthly

Audit Committee

The Alfred Nzo District Municipality has established an Audit Committee for the District as a whole. Matatiele Local Municipality was one of the few municipalities in the Eastern Cape to receive an unqualified audit report for the 2007/08 financial year.

Internal Audit Unit

Matatiele Local Municipality has outsourced this function.



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Function: Finance and Administration Sub Function: Other Administration (Procurement)	
Reporting Level - Detail	
	<p><u>Overview:</u> Includes all activities relating to overall procurement functions of the municipality including costs associated with orders, tenders, contract management etc</p>
	<p><u>Description of the Activity:</u> The function of procurement within the municipality is administered as follows and includes:</p> <ol style="list-style-type: none"> 1 Checking of requisitions or purchases 2 Selection of suppliers for issue of enquiries 3 Issuing enquiries or tenders and obtaining quotations 4 Analysing quotations and bids and preparation of comparative statement 5 Consultation with the Adjudication Committee for selection and approval of quotation and with Accounting Officer for pre-audit 6 Negotiating contracts 7 Checking legal conditions of the contracts 8 Issue of Purchase order 9 Follow-up of purchase orders for delivery in due time, verification and passing of suppliers bills to see that payments are made promptly 10 Correspondence and dealings with suppliers regarding shortage and rejection reported by Supply Chain Management 11 Maintenance of performance records 12 Maintenance of progressive expenditure statement
	<p style="text-align: center;">Purchase Regulations</p>
R	<p>Value of Purchases - Obtain and requirement</p> <p>R0-R2 000 Purchase from preferably registered suppliers No procedure to follow if item is a stores item</p> <p>R2 000 - R10 000 3 quotations - invite 3 registered suppliers to supply a formal (written / verbal) quotation; Accept one written quotation from preferred bidder; Quotations must be attached to the requisition; All quotations received, written or verbal must be recorded; Invitations to suppliers must be rotated; Staff must price items first before sending out an invitation for quotations;</p> <p>R10 000 - R200 000 Invite 3 registered suppliers to supply a formal (written / verbal) quotation; Accept one written quotation from preferred bidder; Quotations must be attached to the requisition; All quotations received, written or verbal must be recorded; Invitations to suppliers must be rotated; Staff must price items first before sending out an invitation for quotations; Purchases over R30 000 must be advertised on the Website and Notice Board for 7 days If an invitation to submit proposal / quotations closes in 30 days this notice must be advertised in the local newspaper.</p> <p>R200 000 - R10m TENDERS shall be invited for all requests for goods with an estimated value above R200 000 - R10m and for requests where the contract to be awarded will extend over more than 1 year Advertised on the Website and Notice Board for 7 days If Tender closes in 30 days the notice must be advertised in the local newspaper; Bid Committees will meet; These services extend to include function / area, but do not take account of function / area which resides within the jurisdiction of national / provincial / other private sector or government. The municipality has a mandate to:</p>



Matatiele Local Municipality Annual Report 2008/2009

Function: Finance and Administration Sub Function: Other Administration (Procurement)	
<p>1 The bid invitation documents must indicate that bids will be evaluated on functionality and price;</p> <p>2 The total combined points with an estimated Rand value equal to, or below R500 000, not exceed 80 points;</p> <p>3 The total combined points allowed for functionality and price must, in respect of bids with an estimated Rand value above R500 000, not exceed 90 points;</p> <p>4 The points for functionality must be calculated for each individual bid and they account for 40% of the total points for functionality and price while the points for price account for 60% of the total points for functionality and price;</p> <p>5 A bidder must score at least 40% or more for functionality to qualify for further adjudication;</p> <p>6 The points for price in respect of a bidder which has scored the specified number of points contemplated in (5) above must, subject to the</p> <p>7 Preferences for being an HDI and or sub-contracting with an HDI and or achieving specified goals must be calculated separately against the following maximum scores, and must be added to the points scored for functionality and price:</p> <p>The strategic objectives of this function are:</p> <p>1 To maintain uninterrupted flow of materials to support the development schedules</p> <p>2 To procure material economically at a cost consistent with the quality and services required. However generally all purchases may be attempted at the lowest cost.</p> <p>3 To develop and maintain good buyer-seller relationship</p> <p>4 To promote source development</p> <p>5 To maintain reputation and credibility in the market by fair dealings and prompt payments.</p> <p>6 To discharge the supply chain management responsibilities conferred on Accounting Officers in terms of Chapter 8 or 10 of the Act, and the supply chain management policy of the municipal entity;</p> <p>7 To maximise administrative and operational efficiency in the implementation of the supply chain management policy;</p> <p>8 To enforce reasonable cost effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in</p> <p>9 To comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act</p> <p>The key issues for 2010 are to establish a Supply Chain Unit</p>	
Analysis of the Function:	
Details of tender / procurement activities:	
- Total number of times that tender committee met during year	12
- Total number of tenders considered	12
- Total number of tenders approved	12
- Average time taken from tender advertisement to award of tender	30 days



CORPORATE SERVICES DEPARTMENT



GENERAL MANAGER: CORPORATE SERVICES
MR. Z.J. MKHIZE

VISION

A Pro-active Department that is dedicated to ensure capacity for quality service delivery.

MISSION

- To provide support and administrative services;
- To provide training and development for Councillors and employees;
- To develop Human Resources and Administration policies for the proper functioning of the Municipality; and
- To ensure recruitment and selection of appropriately qualified personnel.

VALUES

- Respect;
- Honesty and Ethical behaviour;
- Transparency;
- Accountability;
- Professionalism and
- Responsibility.

The Role, Functions and Responsibilities of the Department are as follows:

- Administration
- Human Resource Management
- Registry and Archives
- Executive and Council Support
- Labour Relations
- Information Technology
- Legal Services



ORGANOGRAMS

Departmental organograms have been drawn up and approved by Council. Critical posts have not been filled due to lack of funds. It is planned to fill most posts over the Medium Term Expenditure Framework period.

LEASE OF OFFICE SPACE

The premises situated in High Street, opposite the First National Bank and owned by CRACOVIA TRUST, have been leased for a period of three years with effect from 01 December 2008. These premises are occupied by the Budget & Finance Department.

In order to further address the shortage of office space in the municipal building, a lease agreement has been entered into with Marlene Jacobs for thirteen offices in Pope Lane with effect from 01 December 2008. The Economic and Development Planning Department moved into these offices with effect from 01 December 2008. The department of Economic Development and Planning that occupied those offices has moved back to the main office at the end of December 2009.

The Technical Services Department will continue occupying the Maluti Offices.

Corporate Services Department, the Mayor's Office, the Speaker's Office, the Whippery and Municipal Manager's Office remain in the municipal building and offices were re-allocated.

EXECUTIVE AND COUNCIL SUPPORT

The Department is also responsible for the provision of support in the form of document preparation and minute taking for the Council and its Committees. It also has to ensure compilation, monitoring and implementation of Council Resolutions.

LABOUR RELATIONS COMPONENT

This component is responsible for:

- proper maintenance of relationship between the municipality and recognized trade unions;
- handling of bargaining council issues; and
- processing grievances and disciplinary matters.

ARCHIVES/REGISTRY

This component is responsible for implementation and maintenance of procedures and systems associated with controlling document and correspondence flow, storage, retrieval and disposal in terms of the National Archives Act. The challenges relating to partitioning, shelving, appropriate equipment and software are being addressed through the establishment fund.

A high volume photocopier has been purchased and installed in this component. This has greatly reduced the strain of document preparation relating to Council meetings and its committees.

INFORMATION TECHNOLOGY

This service is currently outsourced because there is no in-house capacity. The service provider is situated some 300km away from Matatiele and visits the municipality once in two weeks. It is no doubt clear that this is an unsatisfactory arrangement as it affects efficiency in work performance. The turn-around time is unreasonable as computer users have to wait for a long time before their hardware/software or network related problems are attended to.

A network Controller is to be employed internally once funds permit, so as to address this problem.

LEGAL SERVICES

Matters of a legal nature are to be attended to by this Department. Some matters are already being attended to. Lack of capacity, office space and relevant equipment and material hamper the performance of this important function. It is planned to address the shortcomings on an incremental basis when circumstances permit.



TECHNICAL SERVICES DEPARTMENT



GENERAL MANAGER: TECHNICAL SERVICES
MR. T. NGOZWANA

VISION

A department enhancing sustainable and quality technical services to communities we serve.

MISSION

To manage technical services that serves all communities within Matatiele Local Municipality.

OBJECTIVES

- Plan sustainable infrastructure development
- Provide municipal infrastructure
- Maintain and operate current infrastructure in terms of powers and functions
- Qualitative job creation and SMME development
- Skills development
- Project and quality contract management
- Resource mobilisation

Performances Areas

Roads

- Construction of new roads and streets
- Maintenance of existing roads and streets

Storm Water

- Construction of new stormwater structures
- Maintenance of existing stormwater structures
- Construction of new cut-off drains
- Maintenance of existing cut-off drains



Community Facilities and Amenities

Construction of new community facilities and amenities
Maintenance of existing facilities and amenities

Electricity-

Construction of new electrical infrastructure
Refurbishment of existing electrical infrastructure
Maintenance of existing electrical installations
New electrical connections
Provision of new street lights
Maintenance of existing street lights
Reduction of illegal electrical connections
Installation of new street lights
Repair of electrical faults
Revenue protection

Solid Waste-

Waste management
Refuse removal
Operate landfill site (s)

Function: Roads and Transport

Sub Function: Roads

The Municipality is responsible for the construction and maintenance of roads, streets, and stormwater systems. All major capital and specialized works are outsourced. In house teams are responsible for minor and routine maintenance works.

Personnel

The function is executed as follows:

The design, contract documentation and construction supervision of most capital works is outsourced to Consultants. Their professional fees are part of the overall project budget.

The staff structure consists of:

- Two (2) managerial/technical personnel
- Two (2) technical/supervisory personnel
- Two (2) Young Professionals from the Development Bank of South Africa
- 1 Secretary
- 54 general workers
- Variable numbers of temporary workers

The total cost to employer for this component is R5, 353,024.22

Training

There was no training offered during the reporting period



Total number, kilometers and total value of road projects planned and current:

Repair Surfaced Roads

Road Marking

Total kilometers and maintenance cost associated with existing roads provided

Repair Surfaced Roads

3,500 m² of verge tarred at a cost of R200, 000

165 m² of pavement repairs at a cost of R158, 000

165 m² of tar road was maintained at a cost of R245, 000

5,4 km of kerbs and channels were constructed at a cost of R400,000

34 stormwater pipes were installed in driveways at a cost of R30,000

Examples of Kerbing and Road Painting



Road Maintenance



Municipal Pool Maintenance



Community Job creation



Building and work on Hillside Bridge





Grade Gravel Roads

139 km of gravel road was maintained at a cost of R755, 259

Nkhoesa Mofokeng EPWP

288 members of the community were employed under the Nkhoesa Mofokeng ward based EPWP project at a cost of R4, 104,000

Grass Cutting

3 small contractors at a cost of R2, 613,600

Road Marking

1,300 metres of road was marked at a cost of R100, 000

Systems

The Municipality compiled a Comprehensive Infrastructure Plan (CIP) as part of the initiative by the Municipal Infrastructure Grant (MIG). However, there is a need for various Infrastructure Master Plans and Asset Management Systems. e.g. Pavement Management System. The basis of this work was laid during the GRAP conversion exercise as part of the reporting requirements. Due to the above, all maintenance work is carried out on an ad hoc basis.

The backlog is as follows:

100km of tar road and 2,349km of gravel road

Function: Facilities Maintenance

Sub Function: Buildings

The function is currently is managed by the Roads and Stormwater division. There is presently no staff under the section. Consequently, all facilities maintenance work is outsourced to small local contractors.

Function: Electricity

Sub Function: Electricity Distribution

The function is administered as follows:

The municipality purchases bulk electricity from ESKOM for distribution in its license area of Matatiele town. ESKOM the license holder for the rest of the municipal area, including the town of Cedarville, the peri-urban area of Maluti and the rest of the Municipality, commercial farms and rural areas.

Systems

The Matatiele Local Municipality has participated in Stakeholder Engagement Forum which is aimed at facilitating the establishment of the Regional Electricity Distributors (REDS). It is anticipate that the ring-fencing exercise will also result in the development of the necessary systems. Preliminary work was conducted as part of the GRAP conversion under Budget and Treasury.



Personnel

The function is executed as follows:

The critical posts of Manager: Electrical Unit and the two (2) electricians are still vacant. Consequently, a local electrical firm provides standby services at R7,000 per month. It has been necessary to employ Consultants for the design, contract documentation and supervision of electricity capital works. The professional fees are covered under the overall project budget.

The number and category of in-house personnel is as follows:

- There are two (2) electrical artisans/supervisory personnel.
- There are six (6) general workers in the Electrical Division
- Variable numbers of temporary workers

These are responsible for both electrical distribution and streetlights

- A blown transformers was replaced at a cost of R150,000
- Removal of old overhead lines at a cost of R50,000

The number and cost of new connections is as follows:

- There were thirty five (35) new connections at R3,500 each
- There were 150 disconnections and reconnections during the reporting year.

The following are the anticipated expansion of the electrical services

- The 201 houses in Cedarville
- The 306 houses at Itsokolele
- The 583 houses in Harry Gwala in Matatiele

The total cost to employer for all electrical division employees is R790,547.63

Training

No training was provided during the reporting period

ELECTRICITY LINE LOSS				
DATE	ESKOM KWH	KWH METER	KWH LOSS	Line Loss %
Jul-08	2970973	2518037	452936	15.25
Aug-08	2974409	3103785	-129376	-4.35
Sep-08	2894362	2610150	284212	9.82
Oct-08	2706207	2480436	225771	8.34
Nov-08	2818430	2652588	165842	5.88
Dec-08	2789316	2332894	456422	16.36
Jan-09	2765881	2265831	500050	18.08
Feb-09	2835486	2561915	273571	9.65
Mar-09	2569667	2253955	315712	12.29
Apr-09	2772445	2526411	246034	8.87
May-09	2865599	3136044	-270445	-9.44
Jun-09	3244990	3060979	184011	5.67
TOTAL	34207765	31503024	2704741	7.91



Function: Electricity

Sub Function: Street Lighting

Street lighting responsibilities of the municipality are administered as follows:

The staff of the municipality maintains all the street lights in Matatiele. Eskom is the license holder in Cedarville, Maluti, the commercial farms and the rest of the Municipality. They therefore maintain all the streetlights in their license areas under contract.

There are 1,200 streetlights within the municipality.

The FM tower line maintained at a cost of R35, 000

Function: Waste management

Sub Function: Solid Waste

The collection of refuse within the municipality is performed in various ways; namely:

- The collection of refuse within the Matatiele CBD and old residential areas is outsourced.
- The function is performed in-house within the newly built parts of Matatiele, and the urban and peri-urban areas of Cedarville and Maluti.
- There is no refuse collection service in the rest of the municipal area, including the commercial farms and rural areas.

The municipality has one permitted landfill site which serves the town of Matatiele and Maluti. Only domestic household waste is accepted at this site. The management and operation of this facility has been contracted out for a period of thirty six (36) months commencing in October 2008. The contract included the closure and rehabilitation of the of the old town dump site.

The municipality intends to pursue rural waste collection strategy and waste recycling. These have been earmarked for job creation and cleaning for up the environment.

The cost of the service is as follows:

In-house

Cedarville	R73, 800 per annum
Maluti	R148, 500 per annum
Harry Gwala	R104, 500 per annum

Contractors

Kopano	R676,500 per annum
Matefloma	R555,500 per annum
Eyethu	R852,500 per annum

The operation and management of the municipal Landfill Site at R952, 907.76 per annum

Personnel

The approved organogram consists of a Manager: Solid Waste and Foreman, which are currently vacant. The management of the function is thus under the Roads and Stormwater Division. The remainder of the workforce consists of:

- 2 Drivers
- 6 general workers



- Variable number of temporary workers

The total cost to employer is R1, 008,846.75

Training

Two officials attended a course on Waste Management Training for Local Authorities in February 2009 which was presented by the Institute of Waste Management of South Africa.

Function:	Waste Management		
Sub Function:	Solid Waste		
Operational Report of Landfill site - Enviro-Fill			
		Average/month	Year Total
Volumes Received			
		Tonnes	Tonnes
Waste	General waste	279.8	3,357.90
	Garden Refuse	48.3	579.6
	Industrial Waste	34.1	409.6
	Building rubble	212.6	2,550.70
	Cover material	0	0.2
		Number	Number
Other	Tyres received	297	3,568
	Animal carcasses	6	73
		Tonnes	Tonnes
Cover used	Cover material	29.4	353.3
Usage			
		Number	Number
Site users	Number	743	8,916
		Hours	Hours
Plant used	Description		
	Compactor	87	1,048
Personnel	Designation	Number	
	Supervisor	1	
	Gate controller	1	
	Gen. worker	1	
	Security	1	
	Reclaimers	17	



ECONOMIC DEVELOPMENT PLANNING



GENERAL MANAGER: ECONOMIC AND DEVELOPMENT PLANNING
MS. K.E. KABI – NOMBUNGU

PLANNING AND DEVELOPMENT

Matatiele has a limited and almost non-existent industrial economy and there is a high dependency on primary economic activities. The predominantly rural nature of the area limits commercial and business development. Business activities in rural areas are confined to rural supply stores and general dealers. Commercial and business development in the area is confined to the urban centres of Matatiele and to a smaller extent Cedarville.

Matatiele is well vested with natural resources which have significant economic potential including;

- ⇒ Agriculture (crop production, fruit production, livestock farming)
- ⇒ Tourism (nature reserves, arts, crafts, scenery, wildlife, wetlands, cultural heritage)
- ⇒ Fishing (dams and rivers)
- ⇒ Forestry and value chain additions
- ⇒ Water resources for development.
- ⇒ Small scale mining

The area has potential for the development of SMME's as evidenced by the Municipality receiving a number of applications for business sites.

Small scale mining is presently restricted to sand mining and quarrying to supply the construction industry. There are deposits of slate, sandstone, nickel and lime that need to be further explored.

Development in the Municipal area is limited as a result of backlogs in social and economic infrastructure.

The Municipality is actively promoting local economic development and is in process of developing a Development Master Plan that will ensure that land can be availed for development which is suitable in terms of spatial and infrastructural development. The Matatiele Local Municipality does not have a LED strategy in place currently, but the Province has availed funds for the development of such a strategy within 2009/2010 financial year.



Tourist attractions include;

- ⇒ Spectacular mountain scenery
- ⇒ Maluti Hiking Trails
- ⇒ Tshisa Hot Springs
- ⇒ Wetlands (wild horses and bird life)
- ⇒ Trout-fishing
- ⇒ Ongeluksnek Nature Reserve (136km² and uninhabited) in the north west of the District, bordering Lesotho

The Municipality is developing the two nature reserves within its area namely the Ongeluksnek Nature Reserve which borders Lesotho and the Wilfred Bauer Nature reserve. Both these areas have been declared conservation areas and are of immense conservation interest and tourism potential. The areas are in process of being fenced and development will include a gateway office complex which will serve as an information centre, chalets, camping facilities, and an environmental education centre. Activities that will be encouraged will include birding, game watching and fishing.

Matatiele municipality has not developed a Spatial Development Framework for the demarcated municipal area known as EC144, established within the border of the Eastern Cape on 1 March 2006. An SDF exists for the towns of Matatiele and Cedarville, including the surrounding commercial farms, in as far as it relates to the former and now disestablished municipal area known as KZ5a3.

A Land Use Management System has been developed in respect of the area mentioned above.

In addition a draft Land Use Development Framework has been developed for the town of Matatiele and the development proposal was published for public comment.

LOCAL ECONOMIC DEVELOPMENT

The LED unit is functioning under the Economic Development and Planning Department. Currently, the unit does not have the strategy and a budget to assist Matatiele in Sustainable Economic Development, attract investors and market the municipality to contribute to Economic development.

1. LED STRATEGY

The Municipality is currently developing this strategy.

2. FUNDED PROJECTS BY LIMA

LIMA Assisted to establish projects in 9 municipal wards which resulted in 104 people being employed for each of the mentioned wards.

3. THE FOLLOWING PROJECTS WAS FUNDED BY:

THE DEPARTMENT OF SOCIAL DEVELOPMENT

- 3.1. Ntataise community programme R750,000.00
- 3.2. Department of Agriculture donated a tractor with implements worth R500,000.00 to ward 15.
- 3.3. Mphatlalatsane community development project R750,000.00 by Department of Social Development.
- 3.4. Mehloloaneng Development Association – R750,000.00
- 3.5. Ithemba Lomama Co-operative in ward 3 – R750,000.00



- 3.6. Khuthani Sinosizo Top-up funding – R350,000.00
- 3.7. Kuyasa Co-operative in Ward 20 – R500,000.00
- 3.8. Vingciphango Women Co-operative R500,000.00

DEPARTMENT OF TRADE AND INDUSTRY

- 3.9. Siyasebenza R500,000.00
- 3.10. Imiphumela Primary Co-operative – Tractor – R300,000.00

DEPARTMENT OF AGRICULTURE

Various projects are funded by the Comprehensive Agriculture Support Programme throughout the municipality.

Most projects funded by either the Department of Social Development or Department of Agriculture cannot be separated as departments have their own SDBIP's or programmes. Some project / co-operatives funded by Government Departments are not aligned to our IDP and are not known to the municipality.

4. REGISTRATION OF 38 CO-OPERATIVES

Co-operatives have been registered for various activities including manufacturing, agriculture (dairy, poultry, honey, and crops), arts and craft, brick making, mining, sewing, water purification and catering. The intent is to provide:

- Job Creation
- Access to finance
- Capacity Building

5. MONTHLY MONITORING OF STREET AND HAWKERS

Street trading is monitored from time to time / monthly with the assistance of Traffic Wardens. Municipal By-laws are silent about charges to businesses that violate the by-laws.

6. CHALLENGES IN L.E.D

- 6.1. Misuse of funds –
 - Ntataise Youth Project (Cedarville – Ward 21) - This project was funded R500,000.00 by the Department of Social Development
 - Mt Elephant - Ward 7 - This project was funded R500,000.00 by the Department of Social Development
- 6.2. Matatiele Micro-Centre -

Permission to occupy in this project is problematic as another project has been given permission to occupy the premises.
- 6.3. Application for land use –

Ward 19, 20 and part of ward 21, projects or co-operatives cannot access land in these three wards and they forfeit funding due to lack of land ownership.



NATURE RESERVES

MISSION

To conserve the natural and cultural heritage as well as the scenic beauty of the area for the socio-economic benefit, education and enjoyment of present and future generations in partnership with stakeholder

OBJECTIVES

Create a safe and secure environment for all Matatiele Nature Reserve visitors and staff .
Conserve and protect the cultural heritage of Matatiele Nature Reserve .
Establish and maintain effective partnerships with relevant stakeholders .
Ensure effective conservation and sustainable use of the biodiversity and landscape of Matatiele Nature Reserve.
Develop a resource utilisation policy as well as a tourism management and marketing plan for Matatiele Nature Reserve.
Implement research and monitoring programmes for decision-making in an active adaptive management approach.
Ensure the support and involvement of Matatiele Nature Reserve in the Maloti Drakensberg Transfrontier Conservation and Development Strategy.
Inculcate an appreciation and respect for our natural and cultural heritage, diverse cultures and fellow human beings through a process of education and engagement with the environment.

VELD MANAGEMENT

Law enforcement

Regular foot and vehicle patrol are conducted by Field Rangers.

- Nine (9) Hand Grenades were found in the town dam. The Matatiele SAPS was informed, after which the bomb squad was called to deal with the matter. The first three bombs (S.A. manufacture) were detonated at the dam and the latter were taken away.
- 21 illegal settlement/ houses were discovered in the reserve. The MNR management, DEDEA, local SAPS and Home Affairs has taken an initiative to remove these people from the area through conducting irregular "house" raiding.

Alien Plant Clearing

Removal of Alien *Acacia* species was conducted in November/ December period, creating 13 jobs opportunities for the local communities.

RESEARCH AND MONITORING

- Birding in and around borders of the reserve is conducted. The results have proven to be successful hence a number of rare and unique species have been identified and recorded.
- The SANBI facilitated Eastern Cape Implementation Committee (ECIC) affiliation with the Municipality/ MNR. It will help ensuring ongoing implementation and integration of bioregional plans and associated conservation and development programmes in the Eastern Cape, and to promote co-ordination and co-operation between agencies responsible for biodiversity and land-use management in the Province.
- Animal species count is done regularly
- .



- Table below gives three year illustrations

Animal species	2007	2008	2009
Blesbok	93	102	132
Blue Wildebeest	74 (40 CULLED)	32	32
Springbok	02	02	02
Common Reedbuck	08	14	18
Mountain Reedbuck	None observed	04	04
Baboon	None observed	Approx. 60	Approx. 60
Burchell's Zebra	03	02 (one died)	02

ECOTOURISM

- Angling - An amount of R 12 500 was spent on purchasing and transporting of two thousand (2 000) Trout hatchlings to Mountain Lake, as per annual stocking rate.
- Application of Financial tariffs for services rendered were approved by the MLM Council

Services rendered

- Trout Fishing
- Accommodation
- Birding
- Environmental Education

SPECIAL PROGRAMMES & PROJECTS

Perimeter Fence Construction

Department of Economic Development and Environmental Affairs (DEDEA) made R4 500 000 available for the construction of MNR boundary fence. The funding is from the province's Extended Public Works Programme (EPWP) co-managed with the department of Public Works. Prior to effecting the funding into Municipal system the Service Level Agreement (SLA) had to be co-signed with DEDEA.

Achievements:

- PSC has been formed. It comprises of Officials from relevant institutions, such as DEDEA, Public Works, ANDM, MLM (Senior Project Supervisor, MNR, EDP) and Stakeholder Liaison Forum members
- Survey of perimeter boundaries has been completed
- Community social facilitation was conducted in respective communities (Wards 06, 10, 17, 19 & 20).
- Orientation of labour force was conducted with DEDEA, Public Works, Social Facilitators and MNR management
- Life Skills and Fence Construction training and 100 people & the Senior Project Supervisor would be appointed in September 2009.



DISTRICT ENVIRONMENTAL MANAGEMENT FORUM (DEMF)

The National Department of Environmental Affairs and Tourism (DEAT), Alfred Nzo District Municipality, Regional Department of Economic Development and Environmental Affairs (DEDEA) and Environmental Health (EH) took the initiative to establish an Environmental Management Forum.

Training Courses

Field Rangers, MNR Liaison Forum and Regional DEDEA personnel attended the five –day Community Based Conservation course that was funded by MDTP.

Commonage

Clean and Green Project

In the month of June 2009, the Independent Development Trust (IDT) provided funding to Alfred Nzo District Municipality (ANDM). The funding was meant for cleaning and greening five major towns within the district, viz. Matatiele, Maluti, Cedarville, Mt Ayliff and Mt Frere.

The project was aimed using intensive labour force sourced from local unemployed communities.

The table below illustrates the personnel composition

Town	Ward	Number of people employed	Total
Mt Frere town	1. Ward 16	40 people	80 people
	2. Ward 18.	40 people	
Mt Ayliff town	Ward 07	40 people	40 people
Cedarville		20 people	20 people
Matatiele	Ward 20	30 people	60 people
	Ward 19	30 people	
Maluti	Ward 01	20 people	20 people

The rubbish that accumulates along the streets, parks, open spaces, etc was collected and transported to landfill sites with the help of Municipal waste disposal vehicle. Subsequent to cleaning, the teams proceeded to planting 130 indigenous trees along particularly “non-green” streets of each town.

Buyback Centre

The District Municipality has taken an initiative to introduce concept of collecting and recycling waste in the landfill sites. The process is championed by the Environmental Management section under the Economic Planning department. The aim of this programme is to try and reduce waste in the district and also to prolong the lifespan of the landfill sites since there will be few waste quantities that get buried in these landfill sites. The strategy will also assist in ensuring that ANDM does comply with air quality measures because there will be less burning activities in the landfill sites and at household level.

Fire Fighting Team

In June 2009, a team of 19 young local people was appointed to assist with veld fire management in the commonage during winter/ fire season. Their job was to burn fire breaks around Cedarville, Matatiele & Maluti, as well as to suppress accidental fires taking place.

This initiative was a call made from the office of the Acting Municipal Manager in response to non -performance of the Municipality in terms of disasters (veld fire) taking place in the



commonage. The Fire team's ability to perform their duties was witnessed and welcomed by all affected members of the community.

Erosion Control

DEDEA and Nature Reserve personnel took an initiative to conduct an erosion control experiment in the nature reserve. The aim of the exercise is to use old tyres from the landfill site and vehicle service establishments. Such material is packed orderly in the dongas with aim of catching silt flow during rainy season and hence rehabilitates the area.

The project is still in pilot stage. It is envisaged that, upon its success it will be introduced to other affected areas in the whole of Municipality.



New Entrance to Mountain Lake Reserve

